

The Economics of Peace and Security Journal

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*A publication of
Economists for Peace
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Editors

Jurgen Brauer, Augusta State University, Augusta, GA, USA
J. Paul Dunne, University of the West of England, Bristol, UK

Vol. 1, No. 2 (2006)

Peacemaking and Peacekeeping

Essays

Lawrence R. Klein on U.N. peacekeeping operations

Lloyd J. Dumas on peacemaking and peacekeeping

Dietrich Fischer on the relative cost of mediation and intervention

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Bob French on the business of land-mine clearing

John Tepper Marlin on the “No Dirty Gold” campaign

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Aims and scope

This journal raises and debates all issues related to the political economy of personal, communal, national, international, and global peace and security. The scope includes implications and ramifications of conventional and nonconventional conflict for all human and non-human life and for our common habitat. Special attention is paid to constructive proposals for conflict resolution and peacemaking. While open to non-economic approaches, most contributions emphasize economic analysis of causes, consequences, and possible solutions to mitigate conflict.

The journal is aimed at specialist and non-specialist readers, including policy analysts, policy and decision makers, national and international civil servants, members of the armed forces and of peacekeeping services, the business community, members of non-governmental organizations and religious institutions, and others. Contributions are scholarly or practitioner-based, but written in a general-interest style.

Articles in *The EPS Journal* are solicited by the editors and subject to peer review. Readers are, however, encouraged to submit proposals for articles or symposia (2 to 4 articles on a common theme), or to correspond with the editors over specific contributions they might wish to make. In addition, comments on published articles (<500 words) are welcome. Please write us at editors@epsjournal.org.uk or contact us via the journal's home page at www.epsjournal.org.uk.

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Introduction

Jurgen Brauer and J. Paul Dunne

This second issue of *The EPS Journal* takes up the theme of economic aspects of peacemaking and peacekeeping. Economics Nobel-Laureate Lawrence R. Klein reviews the arguments for, and the likely cost of, a standing United Nations peacekeeping force. Lloyd J. Dumas argues that minimizing economic stress points also helps minimize the potential for conflict, and Dietrich Fischer reviews the cost of war as against the cost of war-prevention. But for all the good reasons of why peace is cheaper than war, war nonetheless recurs. Jurgen Brauer examines why there seems to be so little peace – if it is so cheap to obtain – and studies the conditions under which states appear willing to intervene in trouble spots elsewhere. Bassam Yousif, Guy Lamb, J. Paul Dunne, and Ross Fetterly, present a set of country studies – on Iraq, Namibia, Mozambique, Rwanda, and Canada. The Canadian piece is of particular value as there is virtually no literature in existence that tries, as Fetterly does, to compute the cost of providing peacekeeping services. The other country studies offer valuable comparative lessons of what does, and does not, work in post-conflict reconstruction. The final two articles look at the business side of things. Bob French has written a forceful account of what it takes to clean up land mine pollution, and John T. Marlin examines what consumer campaigns might do, and have done, to rattle the market for gold jewelry – and thereby compel gold-mining companies to adopt behaviors that might reduce conflict.

With this issue, we introduce a new feature on our accompanying web site. This is a book review section, managed by Bjørn Møller, Senior Research Fellow at the Danish Institute for International Studies in Copenhagen, Denmark. The review section is continually updated and devoted to economic aspects of conflict, war, and peace. The web site contains *book reviews* (500-1,000 words), *book notes* (<500 words), and a list of books available for review. Readers are invited to suggest works for review and to volunteer as reviewers. To do so, please contact Bjørn Møller at reviewseditor@epsjournal.org.uk. We also wish to publish *review articles* in *The EPS Journal*, especially of particularly noteworthy new books, or comparative reviews of books related to a common theme or topic. These should be about 3,000-4,000 words in length. If you wish to contribute a review of this sort, again, please contact Bjørn Møller directly.

Jurgen Brauer and **J. Paul Dunne** are the editors of this journal. Brauer is professor of economics at the College of Business Administration at Augusta State University in Augusta, GA, U.S.A., and Dunne is professor of economics at the University of the West of England in Bristol, U.K.

Peacekeeping operations: from the birth of the United Nations onward

Lawrence R. Klein

In the historical summary volume, *Chronicle of the World*, an article appears for 26 June 1945 under the heading “Nations unite to keep peace forever more.”¹ From its birth in April 1945 in San Francisco, the United Nations became a reality when representatives from 50 states signed the World Security Charter to establish an international peacekeeping force. The United Nations as we now know it – more than a half century later – still stands and tries to fulfill the promises, hopes, and aspirations of an organization dedicated to the preservation of world peace. Fond memories of excitement linger in my mind about the events of early 1945.

The United Nations still stands and tries to fulfill the promises, hopes, and aspirations of an organization dedicated to the preservation of world peace.

Attitudes toward the United Nations have changed over this long stretch of time. The U.N. has survived, not as many dreamed in 1945, but as something in place and the only true hope for establishment of a more peaceful world. In this year of 2006, even those nations

that would like to sidestep the U.N. in pursuit of their own narrow views of world peace would still like to have the “blessing” of the U.N. From the very beginning of its existence as an established institution with many diverse activities and goals, the central feature remains: the U.N. is the only plausible organizational framework in which to search for peace. Its presence and its objectives cannot be ignored.

Original trouble spots such as Jerusalem (or, for that matter, the entire Holy Land) and Kashmir persist as objectives of U.N. peacekeeping activities. While powerful forces remain intent on struggling in the most gruesome ways to disturb the peace, the prize for finding just settlements of the underlying causes of conflict is still great enough that peacekeeping operations must be kept in place and not turned over to the arrogant forces of open warfare.

The appropriate means for *collective* security must still be sought, and no ultimate concession can be made to cynical warring factions – not even by hegemonic states who believe that their dominant ways should prevail.

Two extreme approaches

At the beginning of the United Nations there was overwhelming disgust with the

disruptions created by the Axis powers (Germany, Italy, and Japan), and it was felt that the organization could successfully maintain world peace. While the initial peacekeeping operations dealt with the localized disturbances in Jerusalem and Kashmir, for the longer run it appeared that peacekeeping could take place at the world level, coordinated among major powers such as those on the Security Council. This would call for major armed forces, and major financial costs, for which widespread funding was not immediately available after the draining of financial and manpower capabilities by World War II.

Another approach to peacekeeping could derive from the presence of limited involvement by some powers who were able to draw upon general resources or who were so involved that the situation could not be ignored, at any cost. Thus the operations in the Korean War 1950-54 were significant in magnitude, but restricted in area.

Throughout the history of U.N. peacekeeping operations, conflicts escalated and relaxed, and the various states and parties engaged in temporary settlements. But there has never been a decisive attempt by the member states to create a policy for peacekeeping operations. Rather, each conflict is dealt with on a case-by-case basis.

One solution, while not fully tested, is so direct and obvious that it has not been given sufficient, careful thought. The U.N. needs a collective world force with the responsibility and capacity to impose and maintain international peace.

This concept can be seriously investigated from two extreme positions. First, a significant standing army consisting of comprehensive forces from all nations, with sufficient land, sea, and air capabilities to intervene where the accepted international norms of behavior have been violated, to restore order, and to keep the peace. Second, a rapid-reaction force that is much smaller, but always ready for dispatch wherever and whenever needed in order to put down violence and restore peaceful order.

Where might we look for models of the first or second positions? The United States military is instructive. The U.S. has given up compulsory military service while retaining a strong military stance; thus it has a large standing force of professional soldiers. This delivers a good, flexible core that constitutes a large standing military (position 1). The U.S. armed services also have many smaller specialized forces that could be deployed, in units of the size of the French Foreign Legion, to comprise a rapid reaction force (position 2).

U.N. standing armed forces

When Professor Kanta Marwah and I ten years ago proposed a large U.N. standing army in *The Peace Dividend*,² our motivating concept was a multinational, standing professional land, air, and sea force. Volunteer forces are not generally accepted as the only institutional way to structure an effective military organization, and while

our suggestion is not universally adopted either it provides a good starting point.

In *The Peace Dividend*, we based the statistical analysis on a force of 1 million persons and an annual cost of US\$50 billion. The econometric analysis was based on the international intervention in Yugoslavia: to hold the peace and to bring the composite states together into the European economic environment of the 1990s. Our conclusion was that the size and cost of our “model” U.N. force was reasonable, based on queries of people with major defense responsibilities in the past, and that the outcome would have been fully justified if the standing army could have saved lives and avoided costly conflicts. In fact, we reasoned that the participating countries could have used collective security to lessen the cost of national security. Our solution, of course, remains untried, but if successful it would certainly have been good for the world, for Yugoslavian citizens, and for the fulfillment of the spirit of San Francisco, 1945.

A standing U.N. peacekeeping force of one million persons would have come, in 1996, to about US\$50 billion in annual costs.

If, when the world was confronted by break-up and interstate warring in Yugoslavia, true and complete international security, within the framework of peacekeeping by the United Nations, could have been realized,

we might have seen the evolution of a U.N. standing army with a budget that keeps up with inflation and latest developments in military research. Instead, the situation exacerbated the economic breakdown of the U.N. itself.

Rapid reaction force

Advocates of the more modest alternative, namely the establishment of a U.N.-based rapid reaction force, suggest instead a stepwise approach. Such an approach would start with the deployment of 15,000 people in the field per engagement. With overhead and back-up forces, the total would reach 45,000 persons. This is the force structure imagined by Carl Kaysen and George Rathjens in a recent study of a rapid-reaction styled U.N. voluntary force.³ In their analysis they indicate that such a force could have made contributions in Yugoslavia, Somalia, Cambodia, Rwanda, and similar areas of localized eruptions of war. Of the four conflicts mentioned, the most susceptible to a successful rapid reaction force would have been Rwanda. The costs of a rapidly placed, properly funded and trained force there could have saved many lives. A peaceful settlement of Yugoslavia after the end of the Cold War would have seemed more suited to an intervention by a U.N. standing army, although some specialized areas could have been well served by a smaller force.

While the large, standing U.N. force considered in *The Peace Dividend* amounted to approximately US\$50,000 per person per year, Kaysen and Rathjens estimate a

partial force, ready to react at once, at about US\$30,000 per person per year.

Both the Klein/Marwah and Kaysen/Rathjens forces and costs are small compared with U.S. military costs (per capita) in the 1991 Gulf War and the continuing wars in Afghanistan and Iraq. While the Kaysen/Rathjens partial force falls far short of a standing army, Kaysen and Rathjens have made a very detailed examination of costs for the rapid reaction force itself, in isolation, and it certainly merits a trial effort. Even if the costs were to be significantly higher, it could be a new step in an important direction. Also, for the price of peace, reasonable people ought to find both approaches – a U.N. standing army and a rapid reaction force – attractive. Senior U.N. diplomats, as well as important officials of earlier U.S. administrations, have looked favorably on the attempts at collective security, and we should have seen enough failures with disastrous consequences to be willing to embark on new ways of dealing with continued unrest in various parts of the world.

A rapid reaction force, with very careful training, would develop capabilities that eventually would enable the U.N. to use it effectively, but nothing like it currently exists. The Associated Press (22 August 2003) reported that a request may be presented to the Security Council to send a U.N. force of 15,000 troops for peacekeeping in then-warring Liberia. This force is large in comparison with the facilities of a rapid reaction force. In future, if such a situation arises again, a highly trained and much smaller rapid reaction force might be used for such a mission. But in this unstable world it would seem more prudent to set our sights higher and create a legion of more than 15,000 persons, to be ready for dispatch where needed, on short notice.

To play its optimal role in the future of peacekeeping operations, the U.N. will have to face up to new demands, beyond those contemplated in 1945. Given the resistance in Iraq that has surprised two major powers (the United States and the United Kingdom), it is plausible that a truly collective effort by the U.N., even at higher costs in people and finance, merits serious consideration in order to secure peaceful lives in the world.

Notes

Lawrence R. Klein is professor of economics at the University of Pennsylvania, Philadelphia, USA. He was awarded the economics Nobel prize in 1980.

1. Mercer, 1996, p. 1016. [Also in Mercer, 1990, p. 645.]

2. Klein and Marwah (1996).

3. Kaysen and Rathjens (2003). [Also see Kaysen and Rathjens, 1995.]

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An economic approach to peacemaking and peacekeeping

Lloyd J. Dumas

Peace: rhetoric and reality

When Nigerian soldiers arrived in the capital city of Liberia in August 2003, much of the local population celebrated, some literally dancing in the streets. After years of bloody civil war, people were certainly not filled with joy at the sight of still more armed men in their country. What they were celebrating was the symbolic meaning of the arrival of the Nigerian peacekeepers – the renewed hope of peace.

What does peace really mean? To the Liberians buoyed by the prospect that Nigerian peacekeeping forces would mean an end to years of brutal and brutalizing war, peace was not some idealized, esoteric, or complicated concept. It was the very pragmatic matter of having enough security to go about the ordinary business of life without the constant threat of murderous violence. They were not looking for Nirvana, just for the chance to live their lives.

Positive peace is more than the absence of war. It is the presence of decency.

This simple, straightforward definition of peace is what Johan Galtung referred to as “negative peace,” peace as the absence of war. But Galtung argued that there was a richer, more complex meaning of

peace, “positive peace.” For it is not bullets and bombs alone that kill and maim people. There is also such a thing as “structural violence,” violence that is built into the structure of political, social, and economic systems. People who die of malnutrition in a world with more than enough food; who are blinded, crippled, or killed by preventable diseases; who become the targets of vicious crimes committed by desperate, marginalized people that have lost their sense of humanity in a world that does not welcome, value, or nurture them – these are not the victims of war. They are the victims of structural violence. Yet they are just as damaged, just as dead as those we count as war casualties. Positive peace is more than just the absence of war. It is the presence of decency.

What we mean by peacemaking and peacekeeping depends largely on what we mean by peace. If we are talking about peace as the absence of war, peacemaking is the process by which active hostilities between the parties at war can be halted. It may involve negotiations aimed at achieving anything from a temporary cease fire to a permanent cessation of hostilities between the warring parties. In conventional

wars with clear battle lines, it could also mean inserting neutral outside military forces between warring factions to prevent them from getting at each other. Peacekeeping, on the other hand, means creating the conditions that prevent the renewed outbreak of a war that has at least temporarily ended. In the short term, neutral outside military forces can sometimes play a useful, even critical, role in this process by helping to police (and enforce) the conditions of cessation of armed conflict that the parties previously at war have agreed to honor. But in the long term, the peace that is being kept will only endure if the conditions that led to the outbreak of war have changed. This is much more likely to be achieved as a result of political, social, and economic change than because of the presence of armed peacekeeping forces.

The theory and techniques of economic analysis may be helpful to the process of making peace. A thoroughgoing cost-benefit analysis, for example, might help make it clear to each side that the full costs of continuing hostilities are likely to be far greater than the potential benefits (as is almost always the case).¹ Economic agreements might also be part of the peacemaking negotiations process,² particularly if economic factors were critical to the outbreak of hostilities in the first place. But the greatest contribution that economics can make to banishing the mass organized violence we call war lies in creating conditions that help keep the peace, especially in the long run. If we adopt the deeper, more comprehensive concept of positive peace – peace as the elimination of war and structural violence – it is even more obvious that economics has a powerful and critical role to play in building, solidifying, and maintaining peace.

Building an international peacekeeping economy

Most specialists in international relations tend to think of force or the threat of force as the most effective way of influencing behavior. Economists, on the other hand, tend to think of influencing behavior primarily through incentives. Economists assume that human behavior is driven by the

rational attempt to achieve explicit or implicit goals. For example, firms are typically seen as trying to maximize profits, while consumers are seen as trying to use the money they have available to buy goods and services that maximize their utility (pleasure or satisfaction). The key to influencing behavior is thus to create conditions in which the desired behavior becomes the behavior that the actors involved would voluntarily choose in pursuit of their own goals.

Specialists in international relations think of force as an effective way of compelling another actor's behavior. In contrast, economists think of incentives to induce others to voluntarily change their behavior.

The economic approach to getting profit maximizing firms to invest more in new plant and equipment does not involve threatening management with jail if it does not comply. Instead, policy makers may offer an investment tax credit of, say, ten percent of the invested amount. That will lower the cost of buying new plant and equipment and raise its internal rate of return. Investment will be stimulated because the purchase of plant and equipment is now more profitable. Management does not have to be forced. It will invest more voluntarily because, under the new conditions, investing more helps achieve the goals that motivate the firm.

Looking at the world through an economist's eyes, there is no particular reason why this approach cannot be applied to influencing the behavior of nations. The problem is to identify a set of conditions that will generate positive incentives for nations to keep the peace and work out a set of policies and institutions capable of creating those conditions, not just on paper, but in the real world. That is a formidable task, though no doubt one that can be accomplished. The following pages briefly outline a few of the most critical conditions and also sketch some of the kinds of policies that might help to bring them about.

Basic principles of an international peacekeeping economy

In the late 1970s, Kenneth Boulding, former President of the American Economic Association, put forth what he referred to as the “chalk theory” of war and peace.³ A piece of chalk breaks when the strain applied to it is greater than its strength, i.e., its ability to resist that strain. In the same way, war breaks out among (or within) nations when the strain on the international (or domestic) system exceeds the ability of that system to withstand the strain. The key to establishing enduring peace is therefore to find ways of reducing the strain on the system or increasing its strength. Taken together, three basic principles presented here are an attempt to do both. They are fundamental to creating an international peacekeeping economy.

Principle I: establish balanced economic relationships

For years now, some have argued (despite the Bush administration's vehement protestations to the contrary) that the real reason the U.S. led a military invasion of Iraq in 2003 was the desire to control a vital economic asset, crude oil. There is nothing new in this argument. Over the centuries, many people have contended that most, if not all, wars are caused at least in part by economic factors. Others have claimed that economic relationships reduce the prospects for war, because they bind people together in common interest.⁴ Although it seems paradoxical, both arguments are correct. Economic ties between nations can foment war and worsen structural violence or help to keep the peace. It is the character of economic relationships, not their mere existence, that determines which it will be.

Relationships in which the flow of benefits is overwhelmingly in one direction tend to provoke hostility and conflict. Such relationships are inherently unfair. Even if those being exploited gain something from the relationship, the fact that the vast majority of the benefit flows in the other direction is bound to create or aggravate antagonisms. That is even more true if those being exploited are suffering a net loss. It is not necessary to look any farther than the revolution that gave birth to the United States for an example of the power of economic exploitation (or even the perception of such exploitation) to provoke antagonisms that can lead to war.

Exploitative relationships create incentives for disruption by those being exploited who then would like to find a way to destroy (or at least radically restructure) the relationship, and perhaps also to take revenge. Since they have little to lose and may actually gain if the relationship collapses, the exploited may well be ready to raise the intensity of whatever conflicts might occur, economic or otherwise, even to the point of war. If the exploiters come under stress from external sources, those being dominated will have a strong incentive to take advantage of the situation to try to break free. Knowing this will make the exploiters feel insecure and lead them to put an inordinate amount of effort and expense into maintaining control. This is often a much larger drain on the dominant nation and its economy than most people realize.

In balanced relationships, the flow of benefit is more or less equal in both directions. Because they are fair and mutually beneficial, balanced relationships do not provoke antagonism. On the contrary, as each party begins to perceive how much they are gaining, they start to see the well-being of the other party as in their own best interest. The mutual flow of benefits binds the parties together. Because the relationship benefits all participants more or less equally, they will all be more likely to look for ways of maintaining or strengthening it, out of self-interest. When conflicts occur, they will try to avoid disruption by settling them amicably. If their partners in the relationship come under stress from external sources, they will have an incentive to help relieve, rather than exacerbate, the pressure. In this situation, everyone in the relationship will feel more secure, and no one will feel the need to expend extra effort and expense just to keep it going. Put simply, a balanced relationship is a more efficient relationship: the benefits are achieved at a much lower cost.⁵

Balanced economic relations are more efficient than unbalanced economic relations: mutual benefits are achieved at lower cost.

Adam Smith saw all this clearly 230 years ago, though he was not particularly focused on the implications of balanced versus exploitative relationships for war and peace. In *The Wealth of Nations* (published in 1776), after a lengthy discussion in the context of the British colonial empire, Smith wrote:⁶

“Under the present system of management ... Great Britain derives nothing but loss from the dominion which she assumes over her colonies ... Great Britain should voluntarily give up all authority over her colonies ... [She] would not only be immediately freed from the whole annual expense of the peace establishment of the colonies, but might settle with them such a treaty of commerce as would effectually secure to her a free trade, more advantageous to the great body of the people [of Britain] ... than the monopoly which she at present enjoys.”

Balanced gain is important, but it is only one dimension of balanced relationships. If the process involved in making key decisions relative to the relationship is unbalanced, those with less input and control in the decision process may feel that they are unduly dependent on the good graces of the others. Even if the gains are currently balanced, believing that the terms of the relationship are subject to arbitrary, unilateral change creates insecurity and weakens commitment. When decision-making power is more equally shared, everyone involved has a feeling of ownership in the relationship. It is their property, not simply a gift someone has bestowed upon them and can just as easily withdraw. Every participant will therefore feel a greater sense of responsibility for taking care of the relationship, for insuring its continuation and success. This cannot help but strengthen the incentives of all participants to find peaceful ways of settling their conflicts with each other.

This may seem more like psychology than economics, but is in fact a central tenet of free market economics. It is precisely the reason so much emphasis is placed on the institution of private property. Because property can provide continuing economic benefits, the owner of private property has a strong personal incentive to maximize the flow of those benefits by caring for it properly and using it efficiently. This incentive would be dramatically weakened if the property were subject to sudden confiscation as a result of decisions made arbitrarily in a process over which the person using the property had no meaningful control.

The effectiveness of mutually beneficial, balanced economic relationships in keeping the peace is illustrated by the development and growth of the European Economic Community (EEC), the forerunner of today's European Union. Formed in 1957, by the early 1970s, the collection of nations that belonged to the EEC included Belgium, Denmark, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, and the United Kingdom. These nations had not only fought countless wars with each other over the centuries (including World Wars I and II), some were major colonial powers that dominated and exploited the rest of the world. Yet today, if one were to ask the citizens of any of these countries the odds of their countries fighting a war with each other over the next fifty years, they likely would not consider this a sensible question.

It is not as if these nations no longer have conflicts with each other. In fact, they have many, economic and otherwise, some of them quite severe. For example, in the

last few years alone, there were serious disagreements over the banning of British beef by other EU member states as a result of the outbreak of “mad cow” disease in Britain, ongoing squabbles over the adoption of the single European currency (the Euro), and a sharp split over the ongoing war in Iraq, with Spain initially and Britain still strongly in support, and France and Germany strongly opposed. But they all understand that they have too much to lose to let their disagreements get out of control. So they debate and argue, but they do not start shooting.

Since trade and investment are two of the most important economic relationships among countries, it is logical that the expansion of international trade and foreign investment has the potential for being a powerful force for keeping the peace. Both are clearly key elements of the much-discussed globalization process of the past few decades. Is the policy of embracing globalization then a path toward peace?

It could be, but only if the relationships established in the globalization process were balanced and mutually beneficial. Unfortunately, the globalization process, as shaped by key institutions like the World Trade Organization (WTO), has fallen short in two ways. First, because developing countries have been pressured to lower their trade (and investment) barriers, while more developed countries have continued to protect their agricultural sectors against competition from developing country produce, it has not reduced (and probably exacerbated) the imbalance of relationships between the more developed and less developed countries. Second, with a history of protected, closed-door meetings and secret negotiations, the WTO in particular has established decision-making procedures that are not inclusive enough to allow all major stakeholders to be party to the decision process, or even to know what is happening. Joseph Stiglitz, former chief economist at the World Bank, has written:⁷

“... to many in the developing world, globalization has not brought the promised economic benefits ... Despite repeated promises of poverty reduction made over the last decade of the twentieth century, the actual number of people living in poverty has actually increased by over 100 million ... [N]either has it succeeded in insuring stability. Crises in Asia and Latin America have threatened the economies and the stability of all developing countries.”

Stiglitz goes on to argue,⁸

“Globalization can be reshaped, and when it is, when it is properly, fairly run, with all countries having a voice in policies affecting them, there is a possibility that it will help create a new global economy in which growth is not only more sustainable and less volatile but the fruits of this growth are more equitably shared.”

There are great potential benefits to reshaping globalization along lines that will

democratize its decision-making processes and institutions and at the same time create much more balance in the gains of trade. But the benefits of this kind of restructured globalization are not confined to gains in economic equity and stability, as important as these matters are. More balanced trade, in the sense of both more equitable decision-making and more equal gain, is also a powerful force for peace.

Principle II: emphasize development

The poverty and frustration of so many of the world's people is a fertile breeding ground for violent conflict. There have been more than 120 wars since the end of World War II, taking more than twenty million human lives. Nearly all of them have been fought in developing countries.

People in desperate economic straits tend to reach for extreme solutions. They are much more easily manipulated by demagogues and seem easy prey to aggressors. People in good economic condition are much less likely to want to tear things up. Violent disruption is much more threatening to them because they have a lot more to lose. Therefore, emphasizing inclusive and widespread development is important to inhibiting both interstate and intrastate war.⁹

Development is also a useful counter-terrorist strategy. All but the craziest, most isolated terrorists (such as Ted Kaczynski, the Unabomber) are to some degree dependent on, and are trying to build, support, at least for their cause if not their tactics. Most terrorists do not have the benefit of a wealthy patron such as Osama Bin Laden or the active support of a state, but even those that do must still recruit operatives. They also have to be able to move around, coordinate activities, take care of logistics, and find secure places to store matériel and to do whatever training or preparation is necessary without being detected by those who are trying to stop them. All of this is easier to do the wider their base of support.

To recruit reliable operatives and build the support networks they need, terrorist groups must have a cause that can convince people to engage in and actively or tacitly support acts of horrific violence they would not otherwise condone. This does not require that either the terrorists or their supporters be economically destitute. In fact, the group must have access to financial means and to people of some skill. But they need a powerful rallying cry to enable the group to recruit people who may not themselves be in desperate straits, and motivate them sufficiently to get them to take extreme, perhaps terminal risks.

Unfortunately, there seem to be a number of causes and circumstances that work well enough in practice. Most, if not all, involve calls to the service of some disadvantaged group or to some force greater than the individuals being recruited or solicited for support. As perverted as this may be, it is at base an appeal to heroism. If the individuals involved can be made to feel that by engaging in or supporting terrorism they become the avengers of a great wrong done to "their people," that they

are the right hand of God fighting for the weak and downtrodden, then they can be made not only ready but eager to perpetrate or support horrific acts of violence against innocent people who have never directly done them any harm.

By raising the economic well-being and political status of the larger group of which the terrorists and their supporters feel part, development makes it substantially harder for terrorists to recruit operatives while at the same time weakening support among others who feel connected to that same larger group. It is not just that those who are part of a people in better economic and political condition are less marginalized and not so aggrieved, it is also that they have much stronger incentives to look for – and greater capability to find – less violent and more effective means of addressing whatever grievances they may have. Development can thus help dry up both the pool of potential terrorists and the wider support for terrorist groups critical to their continued operation.

The best way to deal with terrorism in the short run, and the only way to deal with the terrorism that arises from individual mental illness or group psychosis, is through first-rate intelligence and police work. But in the long run, economic and political development is the most effective way to undermine crucial elements of terrorist support systems. It is the only counter-terrorist strategy that directly addresses the marginalization, frustration, and humiliation of peoples that breed terrorism as well as many other forms of violence and inhumanity. It is not the whole answer to terrorism, but it is a very important part.

Unless substantial progress is achieved in generating sustained improvement in the material conditions of life for the vast majority of people in the developing countries, the prognosis for preventing war is poor. But with such progress, it is not only possible to undermine terrorism and strengthen incentives to avoid war, it is also possible to do away with structural violence and build positive peace.

Unless substantial progress is made in achieving improvements in the lives of the poor in developing states, the prognosis for preventing war is poor.

Principle III: minimize ecological stress

Competition for depletable resources generates conflict. The desire to gain (and if possible, monopolize) access to raw materials was one of the driving forces behind the colonization of much of the world by the more economically and militarily advanced nations in centuries past. This competition continues to bring nations, and sometimes sub-national groups, into conflicts of the most dangerous kind – those in which at least one party believes that the continued economic well-being, political sovereignty, or even survival of its people is at stake.

Whether or not the desire to secure oil supplies was a key factor in motivating the U.S.-led invasion of Iraq in 2003, there is little doubt that conflicts in the Middle East would be much less likely to lead to military action by the major powers if it were not for Middle East oil. The considerable difference among the reactions of those powers to aggression in Bosnia, genocide in Rwanda, slaughter in Sudan (Darfur), and hostility in Iraq may have a variety of causes, but oil is certainly one of them.

Water and air do not recognize the artificial lines that we have drawn on the earth to separate ourselves from each other. Environmental damage knows no national boundaries and can also be an important source of international conflict. That is illustrated both by acute environmental disasters such as the nuclear power accident at Chernobyl and such chronic problems as acid rain. Widespread international hostility to the U.S. decision to abandon the Kyoto accords, for example, is in no small measure due to the dramatic effect that continued transboundary pollution by greenhouse gases is likely to have on climate change, with the consequence of imposing potentially enormous long-run costs on the world economy. According to estimates by Janet Abramovitz, the worldwide economic costs of global climate change are expected to be US\$300 billion per year by 2050.¹⁰ James Titus of the U.S. Environmental Protection Agency estimated that the costs of a doubling of carbon dioxide levels to the United States alone could be as high as US\$351 billion per year by 2060, based on models developed by both the Goddard Institute for Space Studies and the Princeton Geophysical Fluid Dynamics Laboratory.¹¹

Transborder pollution itself may not lead to war, but it has already generated considerable conflict and has the prospect of generating a great deal more. Every additional source of tension contributes to the strain on the international system and therefore to the likelihood that other sources of conflict will lead to the eruption of violence. Put simply, the greater the load on the camel's back, the more likely that the next straw will break it.

Some have argued that the expansion of economic activity itself is inconsistent with maintaining environmental quality, that modern production techniques and consumption activities generate an unavoidable degree of ecological stress. There is an element of truth in this. Still, the levels of economic well-being to which the people of the more developed countries have become accustomed can be maintained, improved, and extended to people of the less developed nations without generating current levels of environmental damage. Accomplishing this feat requires (1) a great deal more attention than is currently being paid to the efficient use of natural resources, (2) the development and extensive use of pollution-abating technologies and procedures, and (3) a substantial shift toward qualitative, rather than quantitative economic growth, particularly on the part of the more developed countries.

The efficient use of natural resources involves more intensive and widespread recycling of nonrenewable materials, efficiency improvements in the design and operation of energy-using systems, and greater use of ecologically benign, renewable

energy and material resources. Recycling of nonrenewable materials dramatically reduces the rate of their depletion, transforms solid wastes into useful material, and saves energy, thus reducing both the rate of depletion of nonrenewable energy resources and the pollution associated with their use. Three decades ago, I estimated that a combination of improved design and changes in the operation of energy-using systems could reduce energy consumption in the United States by 30 to 50 percent without sacrificing living standards.¹² And of course, the further development of renewable resources will provide supplies of energy and materials that can sustain economic activity indefinitely.

The development and use of pollution-abating technologies and procedures is two-sided. It involves better filtration, waste treatment, and other after-the-fact cleanup. But it also involves the development and use of less environmentally damaging production and consumption technologies, ultimately working toward mimicking natural ecological systems in which the waste of one process becomes the feedstock of the next in an endless cycle.

Finally, to conceive of economic growth mainly in quantitative terms is foolish and unnecessary. Standards of living are also raised, sometimes more effectively, by improvements in the quality of goods and services. Shifting attention to qualitative growth will allow developed nations to reduce their appetite for nonrenewable resources, making their continued growth indefinitely sustainable. It will also reduce environmental pollution and create space for the quantitative expansion of goods and services still required in many less developed nations.

To the extent that we follow strategies such as maximizing energy efficiency, developing renewable, ecologically benign energy and material resources, and conserving depletable minerals by recycling, we will not only improve the quality of the environment, but also reduce these sources of international conflict and strain on our ability to keep the peace.

Conclusion

Economics has been called “the dismal science,” and dismal it has often been, from the depressing eighteenth century musings of Thomas Malthus to the thinly disguised social Darwinism of heartless twentieth century “trickle down” economics. It seems an odd place to look for hope.

Yet there is great hope in the perspectives and strategies that economics has to offer. Early in the twenty-first century, we find ourselves in the midst of a dramatic, decades-long reshaping of the international economic and political landscape. By learning to put aside the idea that force and threat of force is the most effective means affecting international behavior and adopting instead the economist's perspective that behavior is best influenced through incentives and creating opportunities for mutual gain, we can guide the change that is swirling all around us in more constructive

directions. We can create a web of international economic relationships that not only serves our material needs, but also provides strong positive incentives to make and keep the peace. And rather than a world of deepening inequality and growing insecurity, we can build a world that is at once more equitable, more prosperous, and more secure.

Notes

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1. This is not to deny the possibility that there are some individuals or groups on one or another side that gain from violent conflict and therefore have an incentive to keep it going. For an interesting empirically-based analysis of this possibility with respect to civil war, see, e.g., Collier (2000).

2. The Camp David Accords that brought peace between Israel and Egypt in 1978 included important economic agreements. These were commitments by the United States to provide substantial foreign aid to both parties in order to allay a variety of their concerns.

3. Boulding (1978).

4. For a history of economic theories of peace and war, see Coulomb (2004).

5. A classic article on trade, war, and peace is Polachek (1980). An update with the latest literature review is forthcoming in Polachek and Seiglie (2007).

6. Smith (1937 [1776], pp. 581-582).

7. Stiglitz (2002, pp. 5-6).

8. Stiglitz (2002, p. 22).

9. The exploitation of nonrenewable natural resources – what Paul Collier has called “lootable resources” – can be a strong spur to violent conflict and war within a nation (see Collier, 2000, and also de Soysa, 2000). But economic growth that is largely or solely dependent on exploiting such resources is not the same as development. Real development implies building a stronger, more diversified economic base. It also requires that the gains derived from economy expansion be far more widely and equitably distributed among the population than is typical of economies built on the exploitation of one or two nonrenewable resources.

10. Abramovitz (2001, p. 38), citing the Munich Reinsurance Company and the U.N. Environmental Program. Also see Worldwatch Institute (2002, p. 41).

11. Titus (1992, pp. 1 and 6). Titus’ estimates of the cost of climate change to the U.S., based on the models cited, range from as low as US\$37 billion to as high as US\$351 billion per year, depending on the model used and the precise scenario followed.

12. Dumas (1976).

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On the relative cost of mediation and military intervention

Dietrich Fischer

In June 1999, I participated in a seminar on “violent conflict in the 21st century.” One of the speakers was an American officer who had just returned from the War over Kosovo. Someone asked, “could anything have been done to prevent the war over Kosovo?” He replied: “This is perhaps the most predicted war of this decade. Ever since Milosevic abrogated Kosovo’s autonomy in 1989, many people kept predicting that sooner or later this would lead to war. But we cannot respond to every warning. Every year, there are dozens of warnings of possible wars, and 90 percent of them never happen. We need to concentrate our attention to where we are really needed.” If it would cost about the same to prevent a war before it begins as to end it once it has erupted, that argument would make some sense. But war and war-prevention do not cost the same.

The negligible cost of war-prevention

During the 1980s, the main fear of a Balkan war focused on Romania, where 1.6 million ethnic Hungarians and over thirty other minorities lived in a population of 23 million ethnic Rumanians. Romania and Hungary were enemies in both World Wars, and both committed widespread atrocities and seized territory from each other. Mutual fear and distrust still ran deep. But Allen Kassoff and two colleagues from the Project on Ethnic Relations in Princeton were able to get together four senior Rumanian government officials and four minority representatives for talks. In two meetings of three days each in Switzerland and Romania, they helped them reach an agreement that gave the Hungarian minority the right to use their own language again in schools and local newspapers, in return for a promise not to seek secession. This effort may well have prevented another civil war like that in the former Yugoslavia.

By contrast, international peacekeeping operations to end a war once it has begun typically take not days or weeks, but years. United Nations troops have been stationed in Cyprus already for more than 30 years and are still needed. And it does not take only a few individuals, but tens of thousands of troops. 20,000 U.N. troops were not able to stop the fighting and massacres in Bosnia and Herzegovina. It took 60,000 NATO troops to impose a cease-fire, and even those troops have not been able to bring about reconciliation. That means it takes about 10,000 times as many people for time periods that last over 100 times as long than what it takes for mediation. The costs for a peacekeeping operation are therefore about one million

times as large as those for an effort at mediation. Instead of a few thousand dollars for a meeting place and some airplane tickets, a peacekeeping operation costs billions of dollars. Even worse, the 1991 Gulf War to expel Iraq from Kuwait cost US\$100 billion, not counting the destruction it caused. Most importantly, preventing a war before it happens can save many lives. From mediation to peacekeeping to war involves, at each step, at least an order of magnitude or more in increased cost.

Many other individuals and NGOs play a valuable role in helping mediate agreements between conflicting parties, but they now rarely receive any publicity. The media tend to report about cases where mediation fails and fighting breaks out, but they almost never report about cases where fighting has been avoided, and how this was achieved. The adage that “no news is good news” has been turned around into “good news is no news.” Better coverage of success stories could encourage others to help prevent war.

Here is another example that shows how inexpensive it can be to help prevent a war through skillful mediation, compared with ending a war once it has begun. In 1995, Johan Galtung from Norway, who is widely regarded as the founder of the academic

Galtung’s peacemaking initiative between Ecuador and Peru cost only US\$250 for an extra stopover in Quito, a night in a hotel, and a lavish meal for Ecuador’s new president and his wife.

discipline of peace research, had an opportunity to meet with the then-newly elected President of Ecuador, Jamil Mahuad, before he took office. Since 1941, Ecuador and Peru had fought three border wars over a small, uninhabited strip of 500 square kilometers high in the Andes mountains, and they were about to engage in another round of war. The problem was that the peace treaty of Rio de Janeiro of 1941 specified that the border between them should be drawn along the watershed. But depending on weather conditions, the watershed is slightly shifting from year to year, and each country insisted that the true watershed in the treaty is the one closer to the other country. Galtung listened patiently to what President Mahuad had to say about Peru’s inflexibility, but he also listened carefully to what he did not say. He never mentioned that every square meter of territory must belong to one and only one country, as it was agreed to in the Treaty of Westphalia in 1648. Mahuad assumed that this was self-evident and did not need to be said. So Galtung asked him if he had ever thought of making the disputed territory into a bi-national zone, jointly administered by both countries, with a natural park to attract tourism and bring revenue to both countries. The President said this was a very creative idea, but it was too creative: it would take at least 30 years to get used to such a novel concept, and then another 30 years to implement it. Still, he did propose it to Peru at the next round of peace negotiations, and to his surprise, Peru

accepted it, with some minor modifications. This led to the peace treaty signed in Brasilia on 27 October 1998.

Galtung pointed out that this initiative cost only US\$250 for an extra stopover in Ecuador's capital city Quito, a night in a hotel, and a very lavish meal for the incoming president and his wife. This is negligible compared to the costs of a military intervention.

During the 1992 presidential elections in Yugoslavia, there was a peace candidate, Milan Panic, who ran against Slobodan Milosevic. But the state radio, television, and the press were controlled entirely by Milosevic and his cronies, and they decried Panic daily as a traitor and an American stooge, while Panic had no opportunity to defend himself. He asked the George H.W. Bush administration for half a million dollars to rent an independent radio station so that he could address the voters directly. That request was denied, and Milosevic won. In 1999, the United States launched hundreds of cruise missiles against Yugoslavia, each of which cost one million dollars. It just may be that half a million spent in 1992 to give Panic a chance could have avoided the war over Kosovo. At least it would have been worth trying.

Modest initiatives taken early can sometimes help avoid much greater costs later. Another example which shows this clearly is that Alexander Yakovlev, who became Gorbachev's key adviser on perestroika, glasnost, and democratization, was one of the first thirty Soviet students who came to study for a year in the United States with a Fulbright scholarship at Columbia University in New York in 1956-57. The few thousand dollars for that scholarship probably did a great deal more to help end the Cold War than the billions spent on weapons.

The need for a United Nations Institute for Mediation

The Secretary General of the United Nations has sometimes been able to help mediate disputes before they lead to war, but he (or she in the future) is only one person and is burdened with many other responsibilities. There are about 100 conflicts around the world between different countries or nationalities that could potentially erupt in violence. One person alone cannot possibly deal with all of them. The International Peace Academy, an organization affiliated with the U.N., now has the task of seeking to mediate conflicts before they erupt into war. But it has only 16 staff members, and only 3 of them professionals who can conduct mediation. This is not nearly enough. Many more people should be trained in conflict resolution and enabled to perform such tasks. It involves listening patiently to all parties' grievances, engaging them in constructive dialogues, and helping them find solutions that transcend the contradictions underlying the conflict and meet the basic needs of all parties.

In contrast, international organizations dealing with economic needs typically

have thousands of employees. The World Bank has about 11,000 professionals, and other agencies have comparable numbers. A total of three professionals at the International Peace Academy is totally inadequate. A United Nations Institute for Mediation (UNIMED) with about 2-3,000 professionals is urgently needed and would be an excellent investment. It could probably make a large portion of the millions of soldiers ready to fight wars available for peaceful tasks.

It is ironic that in many places owners of motor vehicles must bring them for inspection once a year to make sure that they meet safety standards, for otherwise they could cause a possibly fatal accident. But no regulatory body does any routine, standard survey of relations among nationalities to see if they are reasonably peaceful or in danger of exploding in violence, which would result in far more deaths than a traffic accident. People with experience in early warning signs of violent conflict, and knowledgeable in methods of peaceful conflict transformation, should regularly hold dialogues with various potential conflict parties and, where indicated, help them find peaceful solutions to a conflict along the lines the two examples above have indicated.¹ This costs far less than a military intervention after violence has erupted.

It is ironic that in many places cars must be inspected annually while nobody does any regular survey of relations among nations to see if they are reasonably peaceful or in danger of exploding.

A United Nations Security Insurance Agency

Greater efforts at mediation to prevent violent conflicts do not imply that peacekeeping should be abandoned. But it does mean that more resources should be put into war prevention. By analogy, building fireproof structures can save a great deal of firefighting and save lives, but this should not mean that we abandon firefighting. If mediation fails, an international peacekeeping force can play an important role in helping end the fighting.

Among others, Hazel Henderson and Alan F. Kay have proposed a way to reduce considerably world military spending, namely by creating a United Nations Security Insurance Agency (UNSI).² In return for payment of an annual insurance fee, UNSIA would offer member countries protection against aggression. The fee would be considerably less than the costs of maintaining armed forces for the countries' own defense. The countries most interested in such an offer would probably initially be small countries, which are hardly able to maintain military forces that can match potential adversaries. Because membership would be entirely voluntary, UNSIA would have a considerable advantage over the current situation where the U.N. Secretary General has to appeal to reluctant member nations to

contribute troops for peacekeeping operations. No country would be required to pay this insurance premium, but those who did would gain the benefit that anyone who threatened them would face a standing international peacekeeping force that would automatically be committed to the country's defense, and would be ready at a moment's notice. Such a swift and certain response should strongly dissuade would-be aggressors, and it might therefore be rare that it would actually have to be deployed. It should prove more effective than the current U.N. Security Council, where each of the five permanent members has a veto that can prevent a response to aggression. Even if the Security Council approves a peace enforcement operation, it is often long delayed until enough countries have pledged troops and funding to support it. In the meantime, people keep dying.

Countries that take extra precautions to avoid war, such as having procedures in place to resolve disputes through mediation or arbitration, could get insurance at a reduced rate, in the same way as homes that maintain a working fire extinguisher and are built with fireproof materials can obtain lower fire insurance rates.

As this agency develops a track record of success, more and more countries might wish to take advantage of that opportunity and entrust their security to an international peacekeeping force, at considerable savings. This idea exploits the concept of scale economies: it would be equally wasteful if all the home owners in a small town maintained individual fire engines, instead of combining their resources to fund one fire company that can be deployed wherever and whenever it is needed.

In addition to helping protect countries against aggression and maintaining cease-fires in civil wars, a standing U.N. Peacekeeping Force could also be deployed on short notice to help protect lives in case of natural or industrial disasters. It would have transport planes, helicopters, medical equipment, food, and emergency shelter available in adequate quantities. It could include specialists to direct relief operations in case of earthquakes, floods, accidents at nuclear power plants, poisonous chemical leaks, or other emergencies anywhere on earth. The United Nations Disaster Relief Organization now does not have its own standing force to respond to calls for help and depends largely on appeals to member governments and voluntary organizations to supply personnel and resources for disaster relief. That can introduce delays that can cost many lives. A U.N. Peacekeeping Force could also assist the U.N. High Commissioner for Refugees in providing temporary food and shelter to refugees from wars, political violence, ecological disasters, or famines. Some of the poorer countries can hardly afford to provide adequate help to refugees or victims of disasters.

A reduction in military expenditure, which would be made possible through preventive diplomacy and a U.N. Peacekeeping Force, could help reduce global military spending considerably. Although now dated, Leontief and Duchin's 1983

work is still valid: in it they showed that every region of the world could enjoy a higher rate of economic growth with lower military expenditure because more resources would be available for consumption and for investment in the civilian economy. Even a small fraction of world military spending could make an enormous difference for human welfare. In 1990, UNICEF estimated that it would take only an average of US\$1.50 to inoculate a child against the six major infectious diseases from which nearly 3 million children under age 5 die each year.³ The average number of children born in the whole world per year between 1990 and 1995 has been estimated to be 137,484,000.⁴ To inoculate every child would thus cost about US\$206 million per year, or less than 10 percent of the US\$2.1 billion cost of a single U.S. stealth bomber. If military expenditure is advocated with the argument that it can save lives, there are far more effective ways to save millions of lives at comparatively low costs.

An International Security Commission

Former Soviet leader Mikhail Gorbachev noted that most heads of state are busy to respond every day to the latest crisis and do not find the time to reflect about long-term problems and their solutions.⁵ He therefore called for the creation of a commission of about 100 former heads of state, scientists, writers, and thinkers from around the world who could deliberate in depth about various dangers facing humanity and ways to avoid them. To support such a commission would cost a tiny fraction of the approximately US\$1 trillion spent annually for arms and for the millions of troops kept ready to fight wars, but it could do a great deal more to help avoid future catastrophes.

Systematic research into potential dangers facing humanity is urgently needed. Carl Sagan has pointed out that all the major threats to the survival of humanity – the greenhouse effect, the destruction of the ozone layer, and nuclear winter – have not been discovered by the military, which supposedly has the role of protecting us from dangers, but by scientists – and often by pure coincidence.⁶ For example, the potential danger from nuclear winter was discovered when one of the first space probes, Pioneer 10, circled Mars and observed a dust storm that blocked sunlight from reaching the surface of Mars and slightly cooled it. Sagan and his colleagues built an atmospheric model that could explain the cooling. By applying a similar model adjusted for conditions on earth to the consequences of a nuclear exchange, which would hurl large quantities dust and smoke into the upper atmosphere, they found that many of those not killed immediately by blast, heat, and radiation sickness, would die from a prolonged cold darkness, “nuclear winter,” which would freeze the earth surface and prevent crops from growing. Sagan wondered how many other potential dangers threatening the survival of humanity may still be unknown and called for a systematic investigation into such

dangers and ways to prevent them.

A number of voluntary organizations (e.g., TRANSCEND, a peace and development network; International Alert; Verification Technology Information Centre in London) have created international networks to detect early signs of conflict and warn the international community. They also seek to mediate disputes before they escalate. But voluntary efforts alone are not sufficient. Economic theory has long established that certain public goods are not provided in sufficient quantity unless they are publicly funded, out of taxes. Human security is definitely such a public good.

Gorbachev also proposed the creation of a “Comprehensive System of International Peace and Security.” The system would seek to redress threats not only from war, but also from hunger, poverty, pollution, and human rights violations. This important idea still has not received the attention it deserves.⁷ Governments tend to be so preoccupied with the latest emergency that they usually wait until a problem has reached crisis proportions before paying attention to it, according to the motto, “we will cross that bridge when we get to it.” Yet it would be far more effective to prevent wars through skillful mediation, instead of waiting until conflicts erupt in war and then sending troops. Waiting until problems are upon us before reacting to them, instead of seeking to anticipate and prevent them, is as if we were to drive a car with closed eyes, waiting until we hit an obstacle and then relying on an ambulance, instead of looking ahead and avoiding dangers.

A concluding remark

In the course of history, we have abolished a number of institutions that we now consider inhuman: cannibalism, ritual sacrifice, slavery, absolute monarchy, and most recently colonialism. It is likely that some day war will follow and will be considered as equally abhorrent as we consider cannibalism today.

Notes

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1. See, e.g., Galtung (2000, 2005).

2. Henderson and Kay (1995). Also see Brauer and Chatterji (1993).

3. UNICEF (1990).

4. United Nations (1994).

5. Gorbachev (1987).

6. Sagan (1983).

7. Elements of such a system are sketched in Fischer (1993).

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Theory and practice of intervention

Jurgen Brauer

This article combines several strands of thought I have begun to explore over the past few years. First, it briefly discusses systems control theory, which tells us how a self-regulating system, for example of social and political peace, should work. Second, it briefly considers the theory of imperfect markets, which tells us just why peace and security frequently fail to be obtained. Third, it briefly discusses collective action theory, which tells us what might be required for collective intervention in another state's affairs to take place. All this is a summary of Brauer (2004). These set the context, fourth, for a new idea – a theory of intervention – that might explain why *individual* states, rather than a *collective* of states, intervene or fail to intervene elsewhere. Fifth, I present initial, descriptive evidence for interventions undertaken by Australia, Canada, India, and New Zealand from 1899 to 2005 to see whether the *practice* of intervention appears to follow the *theory* I lay out.

Systems control theory

Any viable system needs feedback mechanisms to maintain it in a safe and healthy state.¹ A feedback mechanisms consist of three main components: (a) specification of a desired goal, (b) ways to measure deviations from the goal, and (c) corrective action to return the system to the goal state if it has deviated. Such a system can fail in six possible ways. First, there may be no agreement on the goal (a matter of conflict resolution); second, even if the goal is clear, deviations may not be detected (a matter of observation and measurement); third, even if deviations are noticed, those who could correct them may have no incentive to do so (a matter of economics, and also of ethics); fourth, even if those who cause a problem will ultimately suffer from it themselves, they may fail to foresee delayed consequences or lack the incentives to do anything about it (a matter of long-run planning, especially in cases involving future generations); fifth, even if people have timely and accurate information, they may fail to correct a problem due to prejudice or other apparently irrational behavior (a matter of psychology and culture); and sixth, even if people are fully aware of a problem and wish to correct it, they may not know how or may lack resources (a matter of resources, science, technology, and education).

A collection of institutions that address these potential problems can thus form a peace system with mutually reinforcing components and help overcome a war system. For example, conflict resolution might be enhanced by supplementing the

United Nations General Assembly with a People's Assembly of directly elected representatives in proportion to each state's population. The lack of feedback might be addressed by including more voluntary citizen organizations in the monitoring and verification of peace agreements. The resource constraint might be addressed with the creation of a World Treasury.² In essence, systems theory tells us what kind of institutions we need to produce peace, namely institutions to agree on goals, institutions to provide feedback, and corrective institutions. Yet, desirable as they are, the needed institutions are not in place. This is so because institutions and the decisions they make are the outcome of collective action and are predicated on the multiple individual interests that make up the collective. (As will be seen, collective action theory provides us with some useful principles for the design of institutions.) But why are the collective institutions necessary in the first place? Why can peace not simply be purchased in the market place? One would think that a market for peace would address the six problem areas: a seller and buyer contract to produce and purchase peacekeeping services (goal). Deviations can be detected by the purchaser who has an incentive to note any such deviations (feedback) and, if necessary, switch to an alternate supplier. This provides the incentive for the first supplier to hold up its end of the contract (correction).

In fact, there already exists a huge market for private security services. In 1995, in the United States more than twice as much money was spent on private security than on public security, and there were three times as many private policemen than there were public policemen.³ At the national level, also, there are many examples of private security firms providing national security functions. Nonetheless, peace and security appear to be in short supply, and by examining exactly what makes private markets work we may discover why prospects for private markets for peace are so poor and why new kinds of institutions might need to be created after all.

Systems control theory tells us what kinds of institutions are needed to produce peace. Yet these institutions are not in place, in part because the decisions they would make are the outcome of collective action which, in turn, is predicated upon the multiple interests of those that make up the collective.

The theory of imperfect markets

Economists generally recommend that goods and services be provided via free, private, competitive markets. But in important respects markets at times perform less than optimally, even if they are free, private, and competitive. This section discusses three such reasons by way of illustration.⁴

Information failure

Markets function well when information is plentiful, accurate, timely, and when it can be processed. Markets do not function well when information is scarce, inaccurate, when it arrives too late, or when it cannot be processed. Well-informed markets function under conditions of high certainty, or at least good risk-assessment. In contrast, ill-informed markets work under conditions of uncertainty. Unfortunately, the making of peace usually operates under high uncertainty and high risk. Moreover, it is costly to make information more plentiful, more accurate, more timely, and to increase one's ability to process it, a cost that the parties in conflict may not be able to bear.

In well-functioning private markets people have an incentive to create new markets just for information. For example, associated with the financial markets are extensive markets for information about financial markets. The needs of participants in one market creates new markets. In the case of war and peace, this is not so. There is a need for information about opponents' relative strength in manpower, supplies, equipment, and financing. But the number of people who have an incentive to collect and supply this information is small, as is the number of potential buyers. The market is "thin." Moreover, it is a risky market for as soon as peace is reached, the market for conflict-related information collapses, putting one's information collection investment at risk. Also, instead of being delighted to provide information so as to reassure potential business partners, in the case of war there are incentives to keep information hidden and to create false information.

Incomplete markets

In an incomplete market, the benefits to buyers and sellers are greater than the respective costs, and yet the transaction does not take place. An example is the market for loans for small businesses. The paperwork associated with making a US\$10,000 loan is just as involved as the paperwork with making a one million dollar loan. Even though small loans would be profitable, a bank earns more on large loans and thus tends to underserve the market for small loans. The market is said to be "incomplete."

Peace may be seen as an example of an incomplete market. Prevention of violent conflict by negotiation is cheaper than providing peacekeepers or paying the costs of human, physical, and environmental damage if armed conflict occurs. Peace is worthwhile in economic terms since the benefits outweigh the costs, and yet violent conflict occurs. The market for peace is underserved, as outsiders ("banks") focus on the politically important "large" customers (e.g., India-Pakistan) and not on the "small" ones (e.g., central Africa).

Public goods and club goods

Peace is a public good. Once provided, its benefits are available to all persons simultaneously and no person can feasibly be excluded from the benefits generated. But the chance of obtaining something for nothing induces free-riding behavior. To create peace, a mechanism by which to exclude free-riders is needed. In the domestic context, this is usually accomplished by coercing a tax-payment to finance law and order services. In the international context, one option is to create a club whose members pay a fee in exchange for exclusive benefits. With regard to war and peace, NATO may be thought of as a club good. It provides a common defense service that, once provided, is available to all its paying members simultaneously.

One way to think about peacemaking therefore is to think about the costs and benefits of club-making (alliances). Some alliances work reasonably well, others do not. Alliance building is costly, and everyone has an incentive to free-ride on others paying the cost. Thus, ECOWAS in western Africa is not a particularly successful organization. In contrast, the Asian Regional Forum (ARF), ASEAN's common security arm, has done well in that the number of post-World War II conflicts among its members have been very few.

Collective action theory

Systems control theory suggests what institutions are needed for peacemaking and peacekeeping. In principle, private markets provide these institutions but it turns out that peacemaking and peacekeeping are subject to severe market failure so that one does need to think about the construction of collective institutions to deliver peace services. A number of design principles that should be followed in building such institutions are available.⁵ If followed, they should explain the successful making and keeping of peace. Conversely, their violation or absence should explain the breakdown of peace or the continuance of war. For purposes of illustration, I discuss a small selection of these principles and then move on to discuss theory and practice of intervention.

In principle, private markets provide the institutions systems control theory calls for. But private markets for international peace and security are subject to severe market failure, so that one does need to think about collective provision of international peace and security.

The principle of changing payoffs

To induce people toward cooperate action, one must minimize incentives to defect and maximize incentives to cooperate. A number of wars have been unnecessarily prolonged because the incentives to defect from peace negotiations were large. For example, in Angola, UNITA's ability to mine and sell raw diamonds created a huge cash flow. Similarly, the Angolan government's ability to extract and sell crude oil kept it well financed. Both sides were flush with money and had no reason to settle the conflict. One way to change the payoffs would have been to contribute (or deny) superior military intelligence and arms to one side, thus changing the balance of force. This would have changed the structure of the conflict so that side A would have been forced to offer negotiation. If side B then did not reciprocate in a fair-minded fashion, the outside help could have been withdrawn to reimpose the cost of fighting on both parties. An international collective would need the power to change payoffs while being perceived as a neutral arbiter whose sole interest lies in compelling the parties to negotiate.

The principle of repeated, small steps

Breaking a problem into smaller parcels, allows parties to interact with one another repeatedly. Instead of one big peace negotiation, one may have many little ones. This increases the frequency of meetings and lengthens the duration of the overall interaction. If any one small round can be driven to a cooperative outcome, both sides risk losing gains already obtained and risk forfeiting future gains to be had if they fail to continue to cooperate in subsequent rounds. The more people can be brought to see the ultimate goal by taking small steps instead of giant leaps, the more likely it is that they will succeed. Contrast the lack of progress in the "all-or-nothing" approach to the Israeli-Arab conflict with the formation and gradual expansion of what eventually became the European Union. A peacemaking collective would need the power to compel parties to engage in "small talks."

The principle of democracy

Those affected by collective action must have a voice in shaping the decision. This includes people's right to organize and to address and solve their own problems and search for and find indigenous solutions to what may be unique problems. In the absence of voice, peace may not be stable. Disaffected groups may continue to fight if they believe that their concerns have not been heard. To prevent disaffection and violent conflict, larger groups may need to grant minimum rights such as freedom to exercise one's religion. This principle allows for continuous self-transformation of institutions as old problems disperse and new problems arise

that the affected communities need to address. An international peacemaking collective would need the power to ensure the participation of all relevant parties.

The principle of conflict resolution mechanisms

Peacemaking and peacekeeping rest on agreements, but disagreements over the agreements frequently arise. To keep these from escalating, the parties must have recourse to conflict resolution mechanisms such as mediation, arbitration (binding or non-binding), and a system of courts. The absence of such mechanisms to address grievances leads to weak peacekeeping and increases the likelihood of failure. An international peacemaking collective would need to provide speedy, low-cost access to dispute resolution venues.

It is evident even from this selected list of design principles that just as private markets can fail to provide international peace and security, so can international, collective institutions. The requirements for success are steep – and indeed the list of failure to intervene to make and keep peace is long.

Just as private markets can fail to provide international peace and security, collective, international intervention can fail as well. The requirements for success are steep.

Theory and practice of intervention

If the prospects for purchasing peace in private markets are dim, and if the requirements for providing collective, international intervention are steep, what are the prospects for *unilateral intervention*? What are the determinants that would motivate people in non-conflict societies to come to the aid of those in conflict?

A theory

I identify eight determinants. They may help explain why the gift of peace is offered so rarely. (I recognize that unilateral intervention is not always seen as peacemaking.) First, there must be *information* that something is amiss, and there are two aspects to this: ignorance and apathy. Without information (ignorance) about a neighbor in conflict, non-conflict neighbors will not do anything at all, and any humanitarian instinct that might exist will simply not be activated. But even with information, nothing might be done on account of apathy or, more charitably, incapacity. Second, bothersome (i.e., costly) *noise* that spills over to non-conflict neighbors is a form of information. For example, refugees that stream from one state to another impose costs on the recipient state. The more noise, the more one

might expect neighbors to be willing to intervene in some fashion to help stop the refugee flow. Third, one would expect that the less the *distance*, the more informed and caring the neighbors are. Conversely, the more distant, the less informed or caring they are. Fourth, distance is mediated when *relations* exist. Colonial ties or immigrant groups whose national origin lies in conflict countries will make the former colonial power or the immigrant-host country more receptive to aid the conflict country. Fifth, the more the *din* from several neighbors, the more one is distracted from any one of them and the less one is inclined or able to come to the assistance of any one of them. Sixth, what would motivate one to come to a neighbor's aid also depends on the noise at home. The more in number or intensity are the *domestic problems*, the less one is willing or able to come to one's neighbor's rescue. Seventh, there is economic and strategic *self-interest* such as the protection of trade routes or of obtaining international stature (e.g., being seen as engaging in peacekeeping actions). And eighth, for a small number of countries, a motivation for intervention appears to be the *opportunity to train* in real-time conditions.

Note that items like "humanitarian good will" are not among the determining factors. Even peacekeeping tends to be done for rather more hard-edged reasons. Take Canada as an example. It first burst onto the peacekeeping scene in 1956, but it was to help the splintering NATO alliance which had been undermined when Washington told Paris and London to get out of the Suez region. Likewise, in 1960, when Belgium threatened to pull out of NATO over the unrest in Congo, Canada sent peacekeepers to that troubled African nation. The peacekeeping in Cyprus, to which Canada contributed, was related to keeping NATO members Greece and Turkey at bay. Historian D. Morton comments: "Peacekeeping might be idealistic, but it also fitted Cold War needs."⁶ Also note that the costs of peacekeeping do not figure on the list. As will be seen, the cost of peacekeeping is usually trivial – at least in relation to the cost of maintaining standing, national armies (although R. Fetterly, in this issue, provides an argument to the contrary).

In a similar manner, reading military or peacekeeping histories, it is clear that peacekeeping entails tangible benefits for the military: for example, it keeps monies flowing, it keeps them in the political arena, and it provides opportunity for real-life training and equipment testing.

Plausibility

Examine these determinants for initial plausibility. First, the relative foreign-affairs ignorance and apathy by the public permits U.S. administrations to design policies that are not always well-considered. This contrasts to European populations who tend to be more politically aware and astute but whose interventionist abilities and powers tend to be less developed. Second, geography sees to it that the United

States does not receive nearly as large a share of refugees as other countries do. Not surprisingly, U.S. media pay vastly more attention to boat-people arriving in Miami from Haiti than to humanitarian catastrophes taking place elsewhere. Third, noise recedes over distance. Unless noise can be transported in other ways – via disruption in raw materials and energy markets, interference with shipping lanes, or acts of terrorism – a state is not likely to engage in peacekeeping a long distance from the home. Fourth, regarding relations, there is good reason why the French fret about West Africa, the Portuguese about Angola, the British about Zimbabwe, and why the Dutch retain an interest in Indonesia. Immigrants who are already in the United States – Irish, Tamils, Jews, and others – have shown intense involvement with conflict in their countries of origin.

Fifth, regarding multiple neighbors, for the United States most "neighbors" are geographically far removed, and its immediate neighbors, Mexico and Canada, have no particularly drastic problems that would divert U.S. attention. Thus, one would expect a fair amount of narcissism in U.S. political life such that, sixth, even though its *domestic problems* are comparatively slight, they drown out concern for people elsewhere, at least concern that would lead to peacekeeping intervention. Seventh, the United States thus tends to intervene elsewhere only when its strategic interests are at stake. Of these, there are many, so that, eighth, the opportunity to train does not loom as large for the United States, as it does for states such as Bangladesh, Pakistan, and India.

A first cut at evidence

If the determinants of intervention are plausible, at least at first blush, the empirical work is harder. Variables need to be operationalized, and the data gathered. Neither is easy to do. The dependent variable is binary: either a state intervenes elsewhere or it does not.⁷ Define *intervention* as the supply of military equipment or personnel outside the home state while the home state is not under attack, e.g., Australia's entry into WW I, Canada's peacekeeping in Suez in 1956, or the U.S. intervention in Iraq in 1991 and 2003. A distinction may need to be made between *initiator* and *contributor*. In the 50 years to 1998, India for instance initiated action on only two occasions, in Sri Lanka in 1987 and in the coup attempt in the Maldives in 1988. But it contributed to peacekeeping in Korea, Vietnam (the First Indochina War), Cambodia, Suez, Congo (1960), Cyprus, Yemen, West Irian, Iran-Iraq, Namibia, Angola, Mozambique, El Salvador, Kuwait, ex-Yugoslavia, Somalia, Uganda/Rwanda, and Liberia.⁸ Some contributions are more substantial than others. In June 2005, for example, Australia contributed a total of 41 people to four United Nations missions, whereas Bangladesh contributed 8,208 people to twelve such missions.⁹

To assess the theory, one would need to gather intervention data for all states,

covering a considerable period of time, and conduct statistically valid tests. Toward this end, I have examined dozens of military history books and perused the United Nations peacekeeping web site for just four states: Australia, Canada, India, and New Zealand. The aim was to construct an initial data set covering about 100 years (1899 to 2005). This data set would count all interventions, as defined above, determine where the intervention took place (distance), and ascertain the size of the intervention force. Tables 1 and 2 present the data.

**Table 1: Size of intervention
 New Zealand, Australia, and Canada (1899-2005)**

Size of force (sample size)	NZ	AS	CA
1-10	32	19	18
11-100	18	18	17
101-1,000	8	10	18
1,001-10,000	3	11	12
10,001-100,000	1	3	1
100,000+	(2)	2	2

**Table 2: Region of intervention
 New Zealand, Australia, Canada, and India (1899-2005)**

Region (sample size)	NZ	AS	CA	IN
Africa	12	13	19	17
Latin/Central America	2	1	7	5
Middle East	12	12	12	6
Europe	10	3	7	1
Asia	26	32	21	6

The data are incomplete. For example, in Table 1, the size of forces contributed should be set in relation to the sending state's population at the time of intervention and, in Table 2, the number of interventions should be set in relation to the sum of interventions in the regions listed by all states, not just the four accounted for in the table. Moreover, military histories do not always agree, nor are they usually written with the provision of precise quantitative information in mind. I also tried, for instance, to obtain data for South Africa, but failed even to locate usable military histories. Neither are military histories necessarily exemplars of dispassionate scholarship (some are akin to propaganda). The four states selected for Tables 1 and 2 are erstwhile British colonies. As such the relation to the "motherland" was

close, and Britain could call upon colonial troops. John Thomson writes: "The white colonies were sources for reliable manpower, and New Zealand enthusiastically answered an 'invitation' from Britain to volunteer its young men [for the Boer War in South Africa]. It was the start of 50 years of bleeding on overseas battlegrounds, with a toll of about 100,000 dead and wounded from approximately 235,000 men sent to fight."¹⁰ With time, these sentiments weakened, and it became harder to call upon troops. Canada went through a spasm before agreeing to send a force to save France in the World War – the *first* World War, and the second one engendered considerable debate as well. Even French Canadians weren't sure they wanted to die for France.¹¹

As may be seen in Table 1, I counted 64, 63, and 68 interventions, respectively, for New Zealand, Australia, and Canada. Considering that all took place in a little more than one hundred years, these are surprisingly large numbers. Fifty percent of New Zealand's interventions, however, have been rather small, involving 10 or fewer people. For Australia, nearly one-third were of that small size. Canada spreads the size of its efforts more evenly, at least up to 1,000 people, but the diminishing size of forces sent is evident for all three states. The two World Wars demanded forces of more than 100,000 people from all three. (Although I have been unable to determine the exact sizes for New Zealand, its World War efforts certainly came very close to that number.)

Regarding the region of intervention (the two World Wars excluded), evidently New Zealand and Australia spent the majority of their efforts in their home region, the Asia-Pacific. They intervene there quite readily (e.g., East Timor, the Solomon Islands, and Fiji, but also Burma, Indonesia, and Vietnam). Reading the military histories, unquestionably the distance factor dominates (many "relations" and many refugees). Canada's intervention pattern is different. Hugging the Arctic, it is close to no one and travels far and wide, its efforts being well dispersed across the globe. Pre-World War II, its efforts were strongly informed by coming to Britain's aid and, thereafter, by its strategic self-interest in the survival of NATO in the 1950s and 1960s. Nowadays, like Norway, it arguably seeks status as a peacemaking and peacekeeping state. India may be read in like fashion. As a non-aligned state, it generally steers clear of sending forces within the Asian region (save as an initiator following its own self-interest) but has sent fully half its 35 post-independence missions to Africa (frequently with Bangladesh and Pakistan; all three are very active contributors of troops to U.N. missions).

Although I have not cross-tabulated the numbers, it is clear from the histories that size and region of intervention correlate. Generally, the closer to home, the larger the force. One would probably also want to think of "intervention" in a more graduated way and distinguish among war-making (on someone else's account), conflict prevention (non-deployment), peacemaking (preventive deployment), peacekeeping (deployment in conflict) – which due to the violence peacekeepers

nowadays encounter is also referred to as peace-enforcement – and peacebuilding (post-conflict deployment). The data needs are many.¹²

Consider one more table.

**Table 3: Specific intervention cases
Australia, Canada, India, New Zealand, South Africa**

Boer war	1899-1902	(y, y, y, y, n/a)*
Boxer rebellion	1900	(y, n, n, n, n)
WW I/II	1914-18; 1939-45	(y, y, y, y, y)
Spanish civil war	1936-39	(n, y, n, n, n)
Malayan emergency	1948-60	(y, n, n, y, n)
Vietnam I	1946-54	(n, n, n, n, n)
Suez UNEF I	1956-67	(n, y, y, n, n)
Vietnam II	1962-75	(y, n, n, y, n)
Fiji army coups	1987	(y, n, n, y, n)
Sri Lanka/Maldives	1987/88	(n, n, y, n, n)
Rwanda	1990-94	(n, n, n, n, n)
El Salvador	1991-95	(n, y, y, n, n)
Ethiopia/Eritrea	since 7/2000	(n, n, y, n, y)

* The listing is for the order: Australia, Canada, India, New Zealand, and South Africa; y - intervened; n - did not intervene.

Table 3 illustrates, once more, difficulties of data collection and of interpretation but also shows patterns of interest. Reading the rows, Britain for example called upon its white colonies to help in the Boer war in South Africa in 1899, and all came to fight. (South Africa is coded “n/a” because intervention is defined as an intervention not in the home state.) Australia did not fight in the French Indochina war, but did fight in the American one. This illustrates the power of cultural or language relations. Reading the columns, Australia has no taste for distant Africa or Central America. In addition to relations, its interventions are primarily in terms of strategic self-interest in Asia or those (World Wars I and II) that threatened commercial interests, such as supply lines to its markets. No one intervened in the First Indochina War (only afterward) and neither did anyone intervene in Rwanda (only afterward). Of the five states considered, no one had any vested interests in those conflicts. The Malayan Emergency and the Fiji army coups made noise, but only in the neighborhood: Australia and New Zealand intervened but the others did not. India’s position would need explaining as Malaysia was reasonably “close” and as Fiji harbors a very large population of Indian origin. This illustrates that an enormous knowledge base would have to be developed if one were to carry the

data project to all states over the past one hundred years.

Conclusion

This article highlights difficulties real-world peacemakers might be expected to encounter. From systems control theory, we gain a picture of what institutions are required for peacemaking and peacekeeping. Private markets tend to fail given the characteristics of peace as a public good. Design principles for collective action are available, but meeting the requirements for their institution is difficult. In the end, states’ individual interests determine whether they will contribute to collective action. I identify determinants of individual states’ intervention efforts and provide some initial, scattered evidence as food for thought. Analysis of difficulties encountered in peacemaking and peacekeeping may entail realizing avenues by which to overcome them. But at least we know better than before the magnitude of the theoretical and empirical task that lies ahead.

Notes

Jurgen Brauer is Professor of Economics, College of Business Administration, at Augusta State University; Augusta, GA, U.S.A. Versions of this paper have been presented at conferences and seminars in Australia, France, Portugal, South Africa, and the U.S. He especially thanks the University of New South Wales, its School of Business, and its library at the Australian Defense Force Academy, Canberra, for a fruitful research appointment there in 2005 where some of the empirical evidence was gathered.

1. This section is based on Fischer (1996) and Brauer (2004).
2. Tinbergen and Fischer (1987).
3. *The Economist*, 19 April 1997, pp. 21-24.
4. A fuller discussion is in Brauer (2004).
5. A discussion of the full list is in Brauer (2004) where I draw, in particular, on the work of Axelrod (1984), Ostrom (1990), and Sandler (1997).
6. Morton (2003, p. 17).
7. One could take the size and type of the intervention force multiplied by the duration of stay to arrive at a continuous variable that would measure the strength of an intervention. For instance, code the type of force as unarmed (=1) or armed (=2). Then, if state A sends 200 unarmed medics for 15 months, the intervention variable would be (1 x 200 x 15), or 3,000. If state B sends 200 combat troops for 12 months, the variable would be (2 x 200 x 12), or 4,800. Obviously, the type of force can be coded into

finer gradations and various types of forces any single state may send can be combined additively to arrive at an intervening state's total "intervention score."

8. Krishna (1998).

9. Australia: UNFICYP, UNMIS, UNOTIL, UNTSO. Bangladesh: MINURSO, MONUC, ONUB, ONUCI, UNAMA, UNAMSIL, UNMEE, UNMIK, UNMIL, UNMIS, UNOMIG, UNOTIL. This information is from the U.N. peacekeeping operations web site.

10. Thomson (2000, p. 10).

11. For military histories and data, see, e.g., Blaxland (2003), Krishna (1998), McGibbon (2000), Morton (1985, 2003), Odgers (2003), Smith (2005), Thomson (2000), and the United Nations Department of Peacekeeping Operations web site.

12. Some of the data I have are "maximum" deployed forces, not average deployed forces, and some force data I found contradict each other. One would want to differentiate not only between combat and non-combat forces but also, say, between, volunteer and conscripted forces, and military and civilian police, and separate out personnel such as liaison and support staff. Cross-tabulations should be run not only for size and region but also for size and duration and region and duration. Data should also be collected on when states did *not* intervene: for example, when India intervened in Sri Lanka in 1987, Australia, Canada, and New Zealand did not.

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Economic aspects of peacekeeping in Iraq: what went wrong?

Bassam Yousif

Prospects for Iraq's economy are bleak: unemployment remains high and the post-war rebuilding effort has slowed to a trickle, weighed down by chronic instability. Rising oil prices increased GDP in 2004 and 2005. But an oil-induced rise in GDP will not necessarily bring about a general rise in incomes, as the oil sector – although it accounts for most of GDP and almost all exports and government revenue – employs only 1 percent of the labor force.¹ To raise general living standards, oil income needs to be converted into increased employment and output in sectors with high social rates of return. Given the financial, technical, and security constraints, aggravated by Coalition Provisional Authority (CPA) and Iraqi government economic policies, this will not be easy to achieve.

This article reviews key CPA post-war policies and their effects, and proposes and discusses a set of alternative policies that would be better suited to improve Iraqi living standards and help secure peace.

CPA policies

Coalition policies launched perhaps the most abrupt and sweeping liberalization of markets attempted anywhere, the goal being to improve the efficiency in the allocation of resources and to thus expand output and incomes.² In the labor market, roughly half a million state employees (about 8 percent of the labor force) were fired, mostly as a result of the dissolution of the Iraqi army but also through “de-Ba’athification.”³ Workers retained in the public sector nonetheless received large salary increases, six-fold on average.⁴ The CPA also carried out reforms in currency, foreign trade, taxation, and capital markets: a new currency was introduced, import tariffs were slashed,⁵ corporate tax rates were reduced, and, to encourage outside investment, foreign companies were allowed to acquire Iraqi assets (except in the oil sector) and to repatriate profits. The CPA also planned to privatize state-owned enterprises, a plan blocked by the 1949 Geneva Convention that prevents occupying powers from disposing of assets they do not own. Unable to privatize, the CPA froze the bank accounts and subsidies of public firms, thereby denying them working capital. Finally, despite United Nations advice to the contrary, the CPA ended agricultural subsidies.

The logic of these policies was to induce productive factors – capital and labor in particular – to flow to activities that have a high social rate of return. For this to be realized, however, enforceable property rights and high rates of investment are

required. Capitalists are unlikely to invest if they perceive their investments to be insecure. Existing capital is sector specific and difficult to transfer from activities with low social rates of return to the desired high return activities. New investments allow resources to flow to high return activities without having to rely on transfers from less efficient sectors.⁶ In Iraq, structural difficulties prevented CPA policies from realizing high rates of capital formation in high social return sectors.

Structural difficulties

The capacity of the Iraqi economy to absorb investments had been diminishing for some time⁷ and was most likely at a low following the United States/United Kingdom occupation in 2003. According to the United Nations, the 1991 Gulf war “relegated [Iraq] to the pre-industrial age, but with all the disabilities of post-industrial dependency on an intensive use of energy and technology.”⁸ The economic sanctions during the 1990s, even when later relaxed under the oil-for-food program, prevented any meaningful rebuilding, and facilities and equipment in most sectors, including oil, continued to deteriorate. The reduction in oil exports induced large declines in incomes per capita so that Iraq, once securely in the middle-income category (as defined by the World Bank), was relegated to low-income status. Even before the 2003 invasion, Iraq's GDP per capita is estimated to have declined to US\$596 in 2002,⁹ only slightly higher than the average Gross National Income (GNI) for low-income economies, which stood at US\$450 in 2003.¹⁰ The penury encouraged the emigration of large numbers of skilled and technical personnel seeking better livelihoods abroad. The “brain drain” has continued since the occupation. Insecurity, violence, and the firing of senior Ba’thists, many of whom were managers and professionals, induced skilled labor to flee Iraq.¹¹ This, along with the physical damage sustained during the invasion, means that the occupying forces took over a country whose physical infrastructure and skills level was greatly depleted. Even under secure conditions, the Iraqi economy's ability to absorb investments would have been limited.

Policy outcomes

In the context of Iraq's weak ability to absorb investments, CPA measures were put into action. Some of the reforms, especially the currency reforms and debt relief, were praiseworthy. But the central aim of the measures – to induce capital and labor to flow to high-return activities – remains illusive. The promotion of employment and capital formation has run aground.

The army's demobilization raised unemployment and undoubtedly contributed to the security crisis. The most reliable data from surveys of Iraq's Central

Statistical Organization. They reveal that unemployment climbed sharply from 16.8 percent in 1997¹² (at the depth of economic distress under economic sanctions, before the implementation of the oil-for-food program) to 28.1 percent in late 2003,¹³ and then declined only marginally to 26.8 percent in the first half of 2004.¹⁴ Despite the slight decline in early 2004, independent estimates of the unemployment rate are higher and average from 25 to 40 percent for the period of January to November 2005.¹⁵

Joblessness is not the only reason for Iraq's instability but has aggravated rather than ameliorated the security problem.

Demobilization raised unemployment for young urban males.¹⁶ Joblessness is not the only reason for Iraq's instability, but the high unemployment has aggravated rather than ameliorated the security problem.

Joblessness, disproportionately concentrated among young males, has undoubtedly impelled some to seek work in militias or engage in crime. As one frustrated job-seeker in a poor district of Baghdad explained:

"I haven't been working for the last two weeks. If I stay like this for another week, my family will starve; and if someone comes with US\$50 and asks me to toss a grenade at the Americans, I'll do it with pleasure."¹⁷

Reconstruction activities have absorbed an insufficient amount of the idle labor because, in general, they have utilized capital-intensive techniques. Construction activities are typically characterized by substantial opportunities to substitute labor for capital.¹⁸ But plentiful Iraqi labor has been under-utilized in reconstruction, as U.S. firms (mainly in charge of reconstruction) do not face Iraqi relative factor prices. The cost of hiring Iraqis is relatively high because they are considered to be a security risk.¹⁹ Consequently, it makes little sense for U.S. contractors to hire local labor.

But what is rational for individual contractors does not necessarily benefit the rebuilding effort as a whole. Unemployment and the resultant insecurity have seriously hampered the reconstruction effort. Unwillingness to hire Iraqi labor transfers, but does not solve, the security problem. Indeed, violence and instability have resulted in the destruction of productive assets, restrained investment, and delayed and increased the cost of rebuilding. Few foreign investors have been willing to do work at these high levels of risk. The IMF notes that none of the foreign banks that were given licenses to operate have opened for business.²⁰ And, investments made by Iraqis and U.S.-funded contractors have proceeded slowly and at increased costs.

The binding constraint on investment in Iraq has not been availability of funds

but the economy's low ability to absorb investments, exacerbated by the violence. U.S.-financed rebuilding progressed at a glacial pace in the first 18 months of occupation. By 15 September 2004, only US\$1.1 billion out of the US\$18.4 billion allocated by the U.S. Congress for reconstruction had been spent. Only US\$16 million of the US\$4.2 billion earmarked for water and sanitation projects had been utilized, and only a mere US\$2 million of the US\$786 million for health care had been spent.²¹ It is no wonder that the majority of Iraqis polled in May 2004 thought that rebuilding had yet to begin.²²

Reconstruction accelerated in 2005: a total of US\$8.6 billion has been spent as of 28 September 2005, including US\$390 million on water and sanitation projects and US\$242 million on health.²³ But total expenditure falls substantially short of the allocated funds and gives a misleadingly exaggerated image of the actual reconstruction. Much of the U.S.-financed spending on rebuilding has been unrelated to civilian reconstruction. As a result of rampant insecurity, the U.S. has diverted funds initially allocated to civilian rebuilding toward security and law enforcement which, as of 28 September 2005, received US\$3.6 billion or more than two-fifths of the US\$8.6 billion total.²⁴ Precisely because security-related activities are comparatively labor-intensive – they engage a fairly large number of Iraqis and do not place great demands on physical infrastructure – it has been easy to spend these monies.

In contrast, civilian reconstruction activities have been highly capital intensive. As a result, U.S. spending on civilian rebuilding, including electricity, oil, civil society, roads and bridges, education, health, transport and sanitation, amounted to only about US\$5 billion, as of 28 September 2005.²⁵ Yet even this small amount overstates the extent of U.S.-funded capital formation, as, for a number of reasons, the real value of spending is lower than these figures indicate. First, according to a Center for Strategic and International Studies report, fraud and mismanagement are responsible for soaking up an estimated 15 percent of reconstruction expenditure.²⁶ Second, the costs of reconstruction have swelled because a large portion – two-thirds in term of value in 2003²⁷ – of the contracts were awarded to U.S. companies on a non-competitive basis. And third, according to the IMF, an astounding 30-50 percent of the total value of contracts is spent by contractors directly on security and insurance.²⁸ For these reasons, the value of capital formation is much lower than even the small total for U.S.-funded civilian reconstruction suggests. The Interim Governing Council spent US\$1.87 billion on reconstruction in 2003²⁹, US\$3.5 billion in 2004,³⁰ and planned to spend more in 2005, but this is a fraction of the US\$17.5 billion that the World Bank and United Nations estimate is required to restore infrastructure and public services to pre-invasion levels.³¹ And the last estimate assumes conditions of relative peace.

Present and prospective outcomes

Along with joblessness and insecurity, there has been a decline in the goods-producing sectors of the economy and evidence of deterioration in human development outcomes. Investment difficulties have delayed the restoration of basic services. The January 2006 level of electricity generation was 15 percent lower than the pre-invasion level. In Baghdad, electricity output from January to April 2005 was two-fifths of its pre-occupation level.³² Energy-intensive manufacturing activities are consequently at a standstill, while competition from international food producers has resulted in a decline in domestic agricultural output.³³ The lack of electricity also resulted in diminished access to safe water and to a rise in water-borne disease and child malnutrition which, according to Iraqi government and United Nations studies, almost doubled between March 2003 and November 2004³⁴ – this despite the removal of economic sanctions. Mortality rates increased during the invasion period of March/April 2003 and, as of late 2004, had not receded. Deaths have occurred as a result of violence, frequently from coalition military action and also from crime.³⁵

None of this has helped the new Iraqi government establish control and legitimacy in the country. CPA measures, with whom the new Iraqi leaders are inevitably associated, have generated hostility from broad sections of the population. Moreover, the CPA's disbursement of Iraq's public funds (generated from the sale of oil) on recurrent items that will be hard to curtail in future, e.g., salary increases to public employees without compensating increases in revenue or reductions of expenditure elsewhere, has greatly reduced the financial independence of the new government. In fact, despite the rise in the price of its exported oil, Iraq is running a large fiscal deficit.³⁶ This has constrained the amount that the Iraqi administration is able to devote to its own priorities. In the words of Philippe Le Billon, "the U.S. sought to buy Iraqi friends with Iraqi money, leaving little behind for the future Iraqi government to buy friends of its own."³⁷ Likewise, lacking the necessary investment finance that the crucial oil sector urgently requires, the new Iraqi administration appears to be close to succumbing to pressure from the U.S. and U.K. governments to privatize part of the country's oil industry by signing so-called production sharing agreements. These agreements are long-term (25 to 40 year) contracts between the Iraqi government and multinational oil companies. While they provide investments finance for the oil sector in the short-term, the contracts are expected to cost Iraq between US\$74 billion and US\$194 billion over 30 years.³⁸

It would be unfair to blame CPA policies for all of Iraq's economic difficulties: as noted, some CPA measures were laudable and many of the economic challenges that Iraq faces are long-term, structural, and often pre-date the CPA. Still, CPA policies exacerbated rather than abated the difficulties. Nor have the policy choices

of the new Iraq administration been any more creditable, even when one considers in mitigation the financial difficulties and the enormous political and security challenges that the new government faces – it does not control even most of the urban areas of the country. The new administration has continued to neglect agriculture (much like Saddam and the CPA), has acted clumsily and ineffectively in changing the composition of its expenditure, and is plagued by corruption.

Alternative policies

A change in the focus of public policies is needed in Iraq, away from rapid liberalization toward an agenda that emphasizes human development, that is, measures that perceptibly and fairly rapidly raise the living standards of the population, especially of the poor, improve security, and increase the economy's aptitude to absorb investments for rebuilding. Such an agenda might include the following policies.

A program of guaranteed public employment

A program of guaranteed public employment in labor-intensive work projects, at relatively low wages to minimize labor market distortions,³⁹ might include activities ranging from rubbish collection to irrigation network repairs to basic construction activities. This is not a novel proposal.⁴⁰ In fact, some U.S. military commanders implemented similar schemes but were forced to abandon them when the allocated funds were exhausted.⁴¹ Such an employment plan would not be a public assistance program but a public *investment* venture, where projects could be carefully selected and only those with a relatively high social rate of return would be undertaken.

This type of program would work to expand the ability of the economy to absorb capital formation in at least three ways. First, it would build or repair productive assets such as roads, railways, hospitals, and irrigation networks. Because the program would rely on an under-utilized resource (labor), capital formation is likely to be easier to achieve than through capital-intensive techniques that place great demands on a depleted physical infrastructure. Second, as the resulting public infrastructure would make it easier and cheaper to move goods and production factors, the employment scheme would reduce the cost of private sector investment. Instead of crowding-out of private investment, the employment scheme would result in crowding-in. The program also would engage

Employment plans are not public assistance programs but investment ventures, expanding the economy's ability to absorb capital.

a large number of unskilled or semi-skilled laborers with few employment alternatives, including some who would otherwise engage in crime or be attracted to work in militias. Thus, third, the program is likely to promote security and hence lower the costs of reconstruction.

A guaranteed work scheme is also likely to be pro-poor, providing productive employment and income for the most economically vulnerable in society, those with the lowest skills and incomes. The program is unlikely to attract educated (secondary school and university level) workers who are typically better-off and less vulnerable. Although in practice no one ought to be excluded, the educated in Iraq, as elsewhere in the Middle East, are more likely to queue for better or “respectable” jobs where the average skills requirements tend to be higher.⁴² The employment scheme would probably result in a significant reduction in joblessness because more than half the unemployed in Iraq are low-skilled workers (with only a primary level degree or less).⁴³

Promotion of the agricultural sector

Promotion of Iraq’s agricultural sector through improvements in agricultural infrastructure and possibly through some subsidization of output is another option. Under Saddam, a plethora of input subsidies were given to farmers in exchange for the sale of output of grains to the state at deliberately repressed prices. The food, in turn, was sold to the public at nominal prices in a non-targeted rations program. Although this production and distribution system was characterized by some inefficiency, it probably averted a famine during economic sanctions as it allowed people access to “entitlements” of food through rations.⁴⁴ After the removal of Saddam and the sanctions, the CPA ended farm subsidies, reasoning that food could now be freely imported. But in the absence of the subsidies, Iraqi farmers have been unable to compete, either in terms of quality or price, with subsidized Australian or U.S. grain, causing many to abandon farming.

Labor-intensive works projects could repair drainage and irrigation systems, rural roads (essential to transport goods to market), and the extension of services, including credit, could go a long way toward making local agriculture more competitive. Another way to do so would be to re-institute some subsidization. The resulting gain, in terms of employment, in this overwhelmingly labor-intensive sector may well outweigh the costs in terms of efficiency.

Reorientation of reconstruction expenditure

A reorientation of reconstruction expenditure away from large, capital-intensive infrastructure projects, whose benefits have a long maturation period, to smaller projects, whose positive effects are more immediate, and from central government

to local authorities is also advised. Some expenditure on such large projects, such as electricity generation, is of course essential.⁴⁵ Where possible, however, preference should be shown to smaller projects, such as minor repair of buildings, roads, and sewage systems. Not only are these activities typically labor-intensive, they are also often associated with a high social rate of return.

Parallel to the re-orientation in spending, a decentralization of decision-making is desirable. Post-conflict reconstruction has historically had better success when it has involved large numbers of local personnel and a sense of local participation, both of which have been lacking in post-war Iraq thus far.⁴⁶ The involvement of local communities, in contrast to the top-heavy solutions that the CPA and Saddam favored,⁴⁷ helps to identify development priorities and could yield future gains in terms of the growth of nascent institutions of civil society.

Avoidance of hasty privatization of state assets

It is often casually assumed that private ownership yields socially more efficient outcomes than public ownership. Yet even a modest review of the evidence suggests that privatization does not always promote efficiency and is sometimes harmful.⁴⁸

It is often assumed that private ownership yields more efficient outcomes than public ownership. Yet privatization does not always promote efficiency and is sometimes harmful.

While the sale of public assets can be attractive to cash-strapped governments – it is an easy way to both reduce outlays to loss-making firms and generate revenue – a number of issues are worth considering. First, is there a social interest in retaining the public asset in question?⁴⁹ Profit or loss are not the correct criteria with which to determine efficiency, as public enterprises are concerned with social costs and benefits that may deviate considerably from market prices. A loss-making public enterprise may thus be socially efficient; if so, it should be retained. Second, even if the sale of state assets is expected to promote efficiency, it may be prudent to delay the sale because the social costs in terms of increased unemployment, worsened income distribution, and aggravated social instability could outweigh the gains in the short to medium-term. Insisting on the immediate sale of state assets in Iraq, as envisioned by the CPA, is likely to be self-defeating: It would further swell joblessness and insecurity and promote resistance to future reform. Finally, if the retention of state enterprises promotes neither the goals of economic efficiency nor equity, then improving their performance by increasing revenue or reducing cost – as opposed to outright sale – is an option, although care ought to be taken to avoid mass redundancies. These issues are especially relevant in reference to the advocated *de facto* privatization of Iraq’s vital oil sector.

Prudence in tackling costly subsidies

Iraq's financial dilemma stems in part from costly food and petroleum subsidies. The first is a leftover from the sanctions era, and the latter has been around for decades. Both have come to be seen as entitlements by the public. The petrol subsidy is especially costly. Because of damaged refining capacity, Iraq can satisfy only about half of its domestic gasoline demand, requiring the remainder to be imported at high international prices. Along with subsidies for electricity, those for food and petrol are projected to cost the state, in 2006, US\$7 billion in increased expenditure, or roughly one-fifth of the central government budget.⁵⁰

Because of the expense, and distortions arising from the subsidies, the IMF, along with others, has pushed for their reduction or removal. But ending the subsidies will disproportionately harm the poor and may engender popular unrest. Fortunately, the subsidies can be reformed in such a way that they both protect the food entitlements of the neediest and avoid mass protests and any ensuing instability. Regrettably, this is not what is happening. Riots over reductions in subsidies, in the Middle East and elsewhere, have less to do with prices than with equity: declines in subsidies that are perceived to be fair and equitable rarely elicit a violent response.⁵¹ In contrast, when the Iraqi government abruptly quintupled the price for petrol at the end of 2005, violent protests ensued. The same or greater budgetary savings could have been achieved by offering some petrol at a low price as part of the existing rations provisions, while requiring that anything beyond that be purchased at much higher market prices. This would have shown more concern with issues of equity while shielding lower-income consumers. Equally, the cost of the food rations program could be significantly reduced through self-selected targeting: offering lower-quality grain that is attractive to the poor as opposed to the high-quality imported grain that the Iraqi government currently favors.⁵² This would have the added advantage of stimulating domestic agriculture that produces lower quality grains.

Conclusion

Careful handling of the issues surveyed here, along with the implementation of the noted initiatives, would enhance the lives of Iraqis. They would improve the employment and security picture, alleviate investment bottlenecks, and aid reconstruction. In addition, the involvement of large numbers of Iraqis in their nation's rehabilitation – in contrast to present efforts from which many Iraqis feel excluded⁵³ – would be hugely beneficial in terms of political legitimacy and help to lay the foundation for an open economy and society.

Such measures may also prove essential politically. No government can survive repeat failure in providing the most basic public good of all: peace. Paradoxically,

the turmoil thus affords the new Iraqi administration an opportunity to enhance its legitimacy by sponsoring people-centered policies that promote both economic development and security.

The obstacles to the implementation of such a program are nevertheless considerable. The program would likely meet stiff opposition from international lenders such as the World Bank and IMF and may need to be mostly domestically financed. Given that the Iraqi government is running a large fiscal deficit and that most of the U.S. funds devoted to reconstruction have been contracted (even though only a fraction has been spent), there are no excess funds available. Substantial changes in the composition of existing expenditure as well as increased taxation – never easy even at the best of times – may be required to successfully carry out this program. Regardless of the obstacles, economic policies that promote both development and security are the only solution for Iraq. Without them, the prospects for Iraq's economy and its people will remain bleak.

Notes

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1. Foote, *et al.* (2004, p. 50).
2. For a detailed appraisal of these policies, see Yousif (2006).
3. Foote, *et al.* (2004, p. 55).
4. ICG (2004, p. 1).
5. Foote, *et al.* (2004, p. 64).
6. See Griffin (1996).
7. For a discussion of the difficulties that Iraq faced in terms of absorbing investments in the 1970s and 1980s see Alnasrawi (1994).
8. Quoted in Alnaswari (2002, p. 67).
9. IMF (2003, p. 22).
10. World Bank (2004, p. 257).
11. See, e.g., Janabi (2004) and Struck (2006).
12. Calculated from CSO (undated, pp. 39, 57-60).

13. Howley (2004, p. 3).
14. UPI (2004). At first glance these unemployment figures vary markedly from that of UNDP (2005) which estimates the rate of unemployment to be 10.5 percent. The discrepancy is not the result of sampling error but of varying definitions of unemployment. When the definitions are reconciled, the UNDP unemployment rate rises to 22.5 percent, broadly comparable to the CSO estimates (see Sletten, 2005).
15. Brookings Institution (undated).
16. Coalition officials claim that the Iraqi armed forces disintegrated during the invasion and so the formal act of dissolution was a mere formality. This, along with other justifications for the army's disbanding, is unconvincing (see Yousif, 2006).
17. Quoted in Foote, *et al.* (2004, p. 58).
18. Little, Scitovsky, and Scott (1970).
19. As one Coalition procurement officer put it, "from a force protection standpoint, Iraqis are more vulnerable to bad guy influence" (quoted in ICG, 2004, p. 17).
20. IMF (2005, p. 7).
21. Weisman (2004).
22. ICG (2004, p. 2).
23. US (2005, p. 23).
24. US (2005).
25. Calculated from US (2005).
26. CSIS (2004, p. 3). For an analysis of the role of corruption in Iraq's reconstruction, see Le Billon (2005).
27. Le Billon (2005, p. 696).
28. IMF (2005, p. 7).
29. ICG (2004, p. 2).
30. Calculated from IMF (2005a, pp. 8, 11).
31. ICG (2004, p. 2).
32. Brookings Institution (undated).
33. Pollack (2006).
34. Vick (2004).
35. Roberts, *et al.* (2004) suggest that the war resulted in 100,000 civilian deaths.
36. For estimates of the deficit see IMF (2005, pp. 31-32).
37. Le Billon (2005, p. 696).
38. Mullit (2006); ICG (2004, pp. 1-10).
39. Griffin and McKinley (1994).
40. Public employment schemes have been used successfully in India and Bangladesh (see Griffin and McKinley, 1994, chapter 5).
41. ICG (2004, p. 18).
42. See Richards and Waterbury (1998, pp. 133-144). In Iraq more than two-thirds of the unemployed live with, and are presumably to some extent supported by, working family-members. Also see Sletten (2005).
43. Calculated from UNDP (2005, vol. 1, p. 122).
44. For a detailed discussion of the food rations program, see Gazdar and Hussain (2002).
45. This is especially the case as more than 90 percent of households receive electricity through electrical networks (see UNDP, 2005, vol. 2, p. 16).
46. ICG (2004).
47. Le Billon (2005).
48. See, e.g., Ram Mohan (2005), Omran (2004), and Fine (1997).
49. See Griffin and McKinley (1994, chapter 3).
50. Pollack (2006, pp. 116-117).
51. Gutner (1999).
52. The Iraqi Trade Minister in 2004, for example, openly argued against the purchase of inferior quality domestically produced grain (see ICG, 2004, p. 14, fn. 151).
53. ICG (2004, pp. 11-13).

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Militarization's long shadow: Namibia's legacy of armed violence

Guy Lamb

Post-conflict reconstruction is a difficult process for any country, one fraught with dangers. A major factor determining its nature lies in the trajectory of what has gone on before the guns stopped firing. It is important to learn from the experience of countries that have seen post-conflict reconstruction success or failure. Namibia is an interesting case study. Having achieved independence from South Africa in 1990, following more than a century of armed violence, repression, and colonization, its government and citizens subsequently embarked on an urgent journey to construct a nation to be characterized by peace and democracy. Sixteen years later, Namibia has become a democracy in the legal and political sense, and levels of armed violence are relatively low compared to other African countries, but the achievement of comprehensive and deep-rooted peace and democracy has been frustrated by authoritarian governance tendencies as well as by militaristic approaches to nation-building.

Namibia has become a democracy in the legal and political sense, and levels of armed violence are relatively low. But the achievement of comprehensive and deep-rooted peace and democracy has been frustrated by authoritarian governance tendencies and militaristic approaches to nation-building.

Reviewing how the legacy of Namibia's armed conflict has influenced its path of post-conflict reconstruction, the article reflects on the limitations and failures of efforts geared toward the fostering of sustainable peace and the consolidation of democracy. It begins with a short history of the Namibian conflict, then details the immediate post-independence period, focusing on peace-building and democratic consolidation (or the lack thereof), and concludes by considering the militaristic dimensions of governance and nation-building in Namibia, emphasizing the links between the legacy of armed violence and contemporary life and politics in this southern African country.

Namibia's history of armed conflict and militarization

The country's colonial and post-colonial history provides important pointers to the influences that were to shape its post-conflict reconstruction. From the late-1800s until 1915, Namibian territory was subject to German colonial rule, a particularly

cruel one as compared to other colonial regimes in Africa.¹ Following its invasion of German-held Namibia during World War I, South Africa became the territory's next colonial master and likewise oppressed indigenous populations with racially discriminatory policies. In 1960, the South West Africa People's Organization (SWAPO) mounted an anti-occupation campaign. Until 1974, SWAPO's primary strategy was the petitioning and lobbying of international organizations, such as the United Nations. While increasing South Africa's international isolation, this did not directly contribute to SWAPO's goal of national liberation and independence for Namibia.² As its vehicle of armed struggle, SWAPO then created the South West African Liberation Army (SWALA) in Tanzania and greater emphasis was placed on military strategies and action.³ SWAPO's armed wing was reorganized in 1973 and renamed the People's Liberation Army of Namibia (PLAN). When, two years later, neighboring Angola gained its independence from Portugal, SWAPO was allowed to use Angola as a base for its military actions, leading to a significant escalation of its military campaign.⁴

By 1980, PLAN operational structure had changed, reflecting combatants' regular incorporation into Angolan military units and almost total reliance on Soviet financial and material support. PLAN began to adopt more conventional military structures and tactics and developed mechanized brigades. In response, an increased SADF presence in the operational area then diminished PLAN's military advantage as from 1982. Forward-command posts, from which guerrillas operated into Namibia, became increasingly insecure with their lines of supply constantly disrupted. As a result, PLAN combatants, previously based within a few kilometers of the Namibian border, were forced back into the Angolan interior. PLAN's position was further diminished with increased counterinsurgency activity within northern Namibia.⁵

Challenging the leaders

In addition to organizational changes and military campaign failures, important challenges to SWAPO leadership also had some impact on its attitudes to and the nature of its eventual conduct of governing. First, in the late 1960s, a group returning from military training in China to military headquarters in Kongwa, Tanzania, criticized SWAPO leaders' understanding of military strategy and tactics. They argued that military inactivity and lack of weapons were signs of mismanagement and corruption.⁶ In response, the SWAPO leadership arranged for the "China-men" to be arrested and imprisoned by Tanzanian authorities.⁷ Second, toward the end of 1975, SWAPO's Youth League began to demand more effective democratic governance from the Executive and insisted that a Congress be held.⁸ When these demands were ignored, the Youth League declared in 1976 that the SWAPO Executive was unconstitutional and invited it to resign.⁹ Third, sections

of PLAN, including some senior military officers supported the demands of the Youth league.¹⁰ When the grievances were not effectively addressed, a group of “anti-corruption fighters” emerged and, in early 1976, seized control of SWAPO’s main base and a few satellite camps in Zambia. Fearing the unrest may spill over, the Zambian government supported SWAPO’s leadership, sending in several army battalions to defeat the rebels.¹¹ Along with the rebels, Zambian authorities also arrested dissident Youth League leaders and their sympathizers. As a warning to anyone seeking to challenge the SWAPO Executive’s authority, “revolutionary decrees” identified “crimes against the Namibian People’s Revolution” and stipulated requisite punishments.¹²

In the early 1980s, SWAPO began to suffer major military setbacks. Rather than face the painful truth that the SADF was gaining the upper hand due to superior military prowess, the leadership blamed South African “spies” and established a military security organization in 1981.¹³ This rapidly became an institution of organized terror that embarked on a seemingly irrational witch-hunt.¹⁴ With many SWAPO members being arrested on a random, if regular, basis, and in the absence of accurate information, intense paranoia began to take root within the movement. By the late 1980s, the situation had become critical.¹⁵ Only external developments, in the form of the 1988 agreement to end Angolan’s civil war and pave the way for Namibian independence, prevented the security clique from taking complete control.¹⁶

The “spy drama” of the 1980s resulted in the purge of many intellectuals and democratically-minded people and groups from within SWAPO. Meanwhile, SWAPO structures within Namibia faced severe harassment from South African security forces during the 1970s and 1980s. Starved of funds, this left very few democratically-oriented leaders inside Namibia that could have balanced out its autocratic leadership in exile.¹⁷

Militarization

Another important process at work was the militarization of significant aspects of political life. In the context of the 1970s and 1980s Cold War, South Africa and Namibia saw themselves as targets of a “total communist onslaught.” For South Africa, this justified involvement of its security forces in almost every aspect of society, and an elaborate network of security committees, the National Security Management System (NSMS), was established as a sort of shadow or clandestine administration. Namibia’s state machinery – still under South African control – came to support SADF’s occupation of the North and South African war effort in Angola.¹⁸ Private-sector companies (especially in the mining sector), many of which were foreign-owned, either actively supported South Africa’s war effort or quietly complied. After all, they generated extensive wealth in Namibia, and some

of this was directly derived from military contracts.¹⁹

The influence of the South African military was extensive. Between 1972 and 1989, virtually the entire northern segment of Namibia was placed under a state of emergency that included the imposition of a dusk-to-dawn curfew. By the mid-1980s, over 100,000 troops under South African command were deployed in Namibia. Approximately eighty percent of the population lived under martial law, close to fifty percent of the population was directly governed by SADF, and all infrastructure developments in the North, including the construction of roads, were determined by military necessity.²⁰ Military bases became the centers of economic activity, and with them much of the economy of the North.²¹ A comprehensive counter-insurgency program to significantly reduce the support provided to PLAN insurgents saw SADF introduce a variety of socio-economic programs. It deployed teachers, medical personnel, and agricultural specialists in an attempt to “win the hearts and minds” of Namibians and generate some legitimacy for SADF’s presence in the North, but also to gather intelligence.²² All this was undermined by the programs’ violent aspects.²³ As the war intensified, the security forces became more reliant on terror tactics to control Namibians in the North.²⁴ Democratic, community-based organizations were discouraged. Instead, traditional authority structures and churches – both hierarchical in nature – became the other dominant political forces in the North.²⁵

As Namibia moved toward independence in 1990, it was clear that both its colonial history and its anti-colonial struggle would make building a peaceful and democratic post-conflict society more difficult. Legacies of violence, exploitation, racial discrimination, and armed liberation struggle, were common

In addition to South Africa’s influence and militarization of Namibia’s society and economy, dealing with SWAPO’s internal conflict formed particular attitudes among its leaders that created special challenges for post-conflict reconstruction.

to most ex-colonies, but what differentiated Namibia’s experience was the conflict within SWAPO and the way its leadership dealt with it. In addition to South Africa’s influence and the militarization of Namibia’s economy and society, this internal conflict formed particular attitudes within the organization’s leadership and created particular challenges for post-conflict reconstruction.

Namibia’s post-independence transition to democracy

With independence, the political elite and civil society undertook immediate concerted efforts to establish democratic state structures, systems, and processes. A new constitution was drafted (which included a Bill of Rights), apartheid policy

and practice was abolished, a system of multiparty democratic elections was established, and the armed forces became accountable to civilian rule.

As with any post-conflict society, issues of demilitarization presented particular challenges to the consolidation of democracy and peace. First, demobilization and successful reintegration of ex-combatants into civilian society, if not effectively managed, may lead soldiers to return to arms for survival and destabilize the country or region in question. The disarming and repatriation of PLAN cadres in Angola and of South West African Territorial Force (SWATF) personnel (which had been a part of SADF) in Namibia, was already completed by June 1989. But it was naively assumed that demobilized soldiers would simply reintegrate into civilian life on their own, and no assistance was made available.²⁶ Ex-combatants expressed grievances through demonstrations and, realizing the potential security hazard that a significant group of unemployed and dissatisfied individuals with military training represented, government devised a cash payment scheme, created vocational training programs in the form of development brigades, and included ex-combatants in the general refugee resettlement program.²⁷

This met with only limited success. The problem of dissatisfied ex-combatants persisted, leading to further protests.²⁸ In response, government established the Special Field Force in 1996, a paramilitary entity administratively located within the Department of Home Affairs, but structurally part of the Namibian Police. While SFF incorporated a significant number of unemployed ex-combatants, this was far from a long-run solution to the problem and, if anything, created impediments to demilitarization.

A second important issue was how to deal with reconciliation. The SWAPO-led government decided to “forgive and forget” past human rights abuses and injustices, both by the South African security forces and the liberation movement. It argued that a peaceful transition to democracy required cooperation among former adversaries, and that dredging up past human rights abuses would impact negatively on national unity and nation-building, only resulting in calls for retribution and revenge.²⁹ Thus, those who had occupied important positions within SWAPO during the liberation struggle period, and then acquired high political office, and who were allegedly responsible for the misuse of power and for committing human rights abuses, were not held to account for their actions, not even symbolically. In fact, among its leadership a conspiracy of denial emerged over the occurrence of human rights abuses in SWAPO camps in exile. This state of affairs contributed to a consolidation of a tradition of impunity within the SWAPO circles of power.³⁰

A third issue SWAPO had to deal with upon assuming government in 1990, was how to transform a militarized state and society.³¹ A transformation occurred, but with mixed results. Military conscription was abolished, despite SWAPO's desire to maintain it for nation-building reasons.³² Many government departments

were demilitarized, but police and prison services still subscribe to military values and a militaristic ethos.³³ The legacy of SADF informers and spies still haunts Namibia: spying accusations were regularly employed by members of the political elite to discredit critical voices and undermine political rivals.

In the immediate post-conflict environment, insecurity, uncertainty, and colonial legacy worked against the development of policies to constructively demilitarize the state and address the entrenched heritage of armed conflict. In addition, accounting and atoning for past human rights abuses were precluded by SWAPO's concern that the fragility of peace in Namibia, and the party's grip on power, would be undermined. And so the legacy of war continued to permeate many post-independence structures and processes. The short-term peace-building measures addressed some of the more serious security concerns but long-term and widespread conflict transformation and demilitarization processes were not considered.

The new, post-independence struggle

SWAPO's hierarchical and autocratic structure at independence was not confronted in the immediate post-conflict reconstruction period. Following its conversion from liberation movement to political party, the former leadership-in-exile retained the organization's reigns of power. Many senior members, particularly President Sam Nujoma, had a high degree of moral prestige, being seen as liberators, particularly since during the liberation struggle the U.N. had declared SWAPO as the “sole and authentic representative of the Namibian people.” Party purges and the success of South African oppression reduced the abilities of SWAPO's rank-and-file to press for reform, while the decisive election victory (57 percent of the popular vote) precluded any major electoral rivals. These factors combined and contributed to SWAPO becoming, over the next years, an increasingly dominant, authoritarian, cantankerous, and intolerant organization.

Dealing with criticism and competition

It's authoritarian culture began to pervade state structures and processes. The divide between Party and State became blurred. Institutions established to hold the state accountable were undermined, and powerful SWAPO figures, especially President Nujoma, were increasingly able to compel the state to pursue personal policies, often militaristic in nature. The problems became most apparent after Namibia's second national election in 1994 in which SWAPO won 74 percent of the popular vote, an increase of 17 percentage points. In stark contrast to glowing reviews it had received in the early 1990s, a number of severe public criticisms were leveled at the ruling party early into its second term of office. It was accused

of failing to deliver much needed socio-economic reforms and of tolerating an arrogation of power by the newly emergent political elite.³⁴ According to Melber, this overwhelming electoral support “encouraged the misperception that the state is the property of government.”³⁵ SWAPO’s leadership started to perceive itself as untouchable, and in 1998 Namibia’s constitution was amended (duly endorsed by both houses of Parliament) to allow Sam Nujoma to stand for a third term as President, an issue had previously been muscled through a special SWAPO Congress. This was almost immediately followed by Nujoma’s unilateral decision to deploy troops to the Democratic Republic of Congo. In the 1999 elections, SWAPO increased its popular support base to over 76 percent of the electorate.

Post-independence, SWAPO’s antagonistic intolerance has become commonplace. Critics are defined as unpatriotic, racist, tribalist, or imperialist, and when the judiciary issued rulings unfavorable to government, its independence was challenged.

tribalist, or imperialist, and when the judiciary has made rulings in cases that are not favorable to government, its independence has been challenged.³⁶ Criticism within SWAPO has become taboo, and dissenters of the official line are dealt with severely. As a result, “the circle of political office-bearers tends to be restricted to those comrades who gained a reputation within and respected the display of personality structures in a command-and-obey system, not for their democratic convictions as independent-minded, autonomous individuals.”³⁷

SWAPO’s response to the publication of Siegfried Groth’s 1995 book *The Wall of Silence: The Dark Days of Liberation Struggle*, which detailed alleged SWAPO human rights abuses in exile, elicited a bruising party response. Denouncing the book, it demonized the author and those associated with the book in the media. Senior SWAPO members called for the book to be banned and destroyed. Saul and Leys comment that “[t]he highly personalised outbursts ... were characteristic of SWAPO’s use of character assassination and intimidation in exile, providing further evidence of some of the negative attributes of the political culture that has pervaded the movement since its early history.”³⁸ Similarly, an almost frenzied SWAPO reaction took place when just prior to the 1999 national election former party members created the Congress of Democrats (CoD). In the run-up to the election, SWAPO’s press accused CoD leaders of treason, and a program of violence and intimidation was unleashed upon its supporters and perceived

sympathizers.

Dealing with youth unemployment

The hangover from the militaristic attitudes of SWAPO is no more apparent than in its response to the problem of youth unemployment. Under the Ministry of Youth and Sport, a National Youth Service Scheme was launched in October 1999. Consisting of a fifteen-months training program, it is designed to assist recruits in securing employment or setting-up their own businesses.³⁹ Its headquarters was established at Berg Aukas at the premises of a failed employment scheme for ex-combatants devised by the Development Brigade Corporation. Recruits were required to wear Namibian Defence Force uniforms and undergo military-style training, including military drills either at bases in Katutura or Walvis Bay.⁴⁰

By early 2001, however, the scheme was in crisis. Much of the promised skills training and employment opportunities had not materialized. So, in April 2001, 52 recruits traveled from Mariental to Windhoek, the capital. They presented their grievances to little effect.⁴¹ Then, in mid-2002, 300 of the 400 recruits at the Grootfontein training center staged a protest and marched 400 km to State House to hand President Nujoma a petition in which they claimed that they were not provided with adequate skills training and were spending most of their time bush-clearing. They were treated with disdain, accused of ill discipline, and threatened with dismissal by Nujoma who ordered them to walk back to Grootfontein.⁴² The militaristic roots of the program were exposed in 2004 when the Youth Service was transferred to the Ministry of Defence, with the Office of the President being responsible for its budget, so that the Youth Service Scheme could be “effectively and efficiently administered.”⁴³ In early-2005, a bill to regulate the Youth Service was tabled in the National Assembly which then legislated its explicit militarization as well as its executive control. This resulted in the opposition CoD expressing concern that the Youth Service was becoming “akin to a youth militia” and that it could be used for “party political purposes.”⁴⁴

Heroes’ Day

To recognize individuals who have made important contributions to Namibia’s liberation, 26 August – Heroes’ Day – is one of post-independence Namibia’s most celebrated public holidays. Yet the “heroes” who tend to garner the most praise in political speeches, as well as in government and SWAPO media, are those who engaged in armed resistance. The date of the holiday is significant as well: it marks SWAPO’s first military encounter with South African security forces.

Heroes’ Acre was inaugurated on 26 August 2002. A major national monument located on the slope of a hill on the outskirts of Windhoek, it is predominantly

Militarized solutions to development challenges have gained currency in Namibia, and national history is officially reconstructed through martial lenses.

constructed of white marble and black granite. Its main features include: a large white obelisk; an eight meter-tall statue of the “Unknown Soldier” (in full combat gear, an assault rifle in one hand and a stick-grenade in the other); a curved relief which

depicts a romanticized version of the armed resistance dimension of Namibia's history; an eternal flame; and designated areas for graves. Only a small acknowledgment is made of the international diplomacy aspect of the struggle for liberation. This is a significant departure from the analysis of mainstream historians and political analysts who have argued that SWAPO's diplomatic efforts resulted in substantially greater tangible results to secure Namibia's independence than did its armed struggle.⁴⁵ Namibia's violent inheritance has fostered increased levels of authoritarianism within SWAPO and overt intolerance by elements within the ruling party toward more discerning and critical voices. Militarized solutions to development challenges have gained currency in Namibia, and national history is officially reconstructed through martial lenses.

Conclusion

Post-conflict reconstruction is extremely difficult to undertake successfully, and it is only through studying the experiences of countries that have gone through the process that proper policy advice can be developed. Namibia provides a valuable case study, illustrating the dangers of underestimating the impact of the political, economic, and social legacy of conflict. Post-independence Namibia represents an explicit case where a legacy of sustained armed conflict, and the related experience of militarization, noticeably shapes contemporary life and politics. Specifically, militaristic approaches to the exercise of state power by the ruling party, even if motivated by a desire to achieve greater efficiency and effectiveness of government services, have generally been severe and at times vulgar in their delivery. To “instill discipline,” Namibian youth have been militarized in ill-conceived vocational training and job creation programs. Critical voices are dismissed as unpatriotic. History has been publicly renovated according to a martial model.

However, the manner in which state power is exercised and nation-building pursued is not entirely the result of the bequest of a century of colonial occupation and three decades of war. At independence, had key decision-makers had the knowledge of the long-term impact of the legacy of armed conflict, as well as the political and popular will to constructively address it, then Namibia may currently be governed in a more tolerant and egalitarian manner. This is a key lesson for

other countries that have recently emerged from a sustained period of war and are seeking to achieve sustainable peace with justice.

Notes

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1. For example, in 1904 the German colonial administration sought to exterminate the Herero and Nama people following an armed rebellion. Approximately 74,000 Herero and Namas lost their lives.
2. South Africa did not ban SWAPO in Namibia. Nonetheless, repressive actions prevented any significant, coherent, or sustained resistance other, than strike action and election boycotts, from developing inside Namibia.
3. Following the creation of a training and recruitment camp at Omgulumbashe by SWAPO guerrillas, the first armed confrontation between SWAPO and South African security forces took place on 26 August 1966. Two guerrillas were killed, and nine were captured together with the forty recruits. Following this incident there were further guerrilla attacks in central Ovamboland against pro-South African chiefs and white farmers near Grootfontein. The escalation of these actions was prevented by South African police who sealed off SWAPO infiltration routes through Angola and Kavango (Brown, 1995, p. 21).
4. The South African Defence Force (SADF) estimated that by 1978 there were a total of 462 “contacts” between its personnel and PLAN in Namibia, increasing to 1,175 contacts in 1980 (Seegers, 1996, p. 230). SADF also reported that, at any given time, approximately 300 insurgents were in Namibia, with some 2,000 grouped in Angola for deployment into Ovamboland, and another 1,400 in Zambia ready to target the Caprivi region (Steenkamp, 1989, pp. 70-71). Due to PLAN activities, as well as to the presence of land mines planted by PLAN operatives, certain regions within Ovamboland became “no-go” areas for SADF. Conversely, due to SADF air support and the nature of the terrain, SWAPO was unable to convert these areas to liberated zones (Brown, 1995, p. 29).
5. Seegers (1996, p. 230); Brown (1995, p. 32); Jaster (1990, p. 12).
6. These observations and critiques were summed-up in a memorandum that was read to officials in the camp. This was direct challenge to SWAPO's leadership, who feared that these “China-men” could foment internal dissent, or even a coup d'état.
7. Saul and Leys (1995, p. 44).
8. Katjavivi (1988, p. 106).
9. Leys and Saul (1994, pp. 130-133).
10. Because of relative inactivity on the military front and weaknesses in PLAN's general logistics, they expressed lack of confidence in the political leadership's ability to direct the liberation struggle. See Cliffe (1994, p. 22); Leys and Saul (1994, p. 133).

11. Leys and Saul (1994, pp. 137-138).
12. With the crisis brought to an end, Sam Nujoma announced in a press statement that, “The agents of the South African Region and imperialists have been routed out of our movement and the Central Committee carried out a systematic purge of all traitors” (*Windhoek Advertiser*, 3 August 1976). To name but a few, crimes included espionage, treason, conspiracy, and military disobedience. Penalties ranged from monetary fine, to imprisonment and capital punishment.
13. This security organization was headed by the Deputy Army Commander, Solomon Hawala, who had extensive powers and was answerable only to the SWAPO President. It consisted of 250 personnel, the majority of which had received security training in the Soviet Union and East Germany. Its sole aim was to identify potential spies, arrest and interrogate them, and detain those suspected of espionage. It could even recall SWAPO cadres who were studying abroad to Lubango, Angola, for questioning.
14. Those accused of being spies were imprisoned in covered pits in the ground, where they had to endure harsh conditions such as poor food, bad sanitation, and inadequate medical care. An unknown number died as a result.
15. Almost 1,000 SWAPO members had been arrested and taken to Lubango. Nujoma’s wife was interrogated in 1988, and his brother-in-law, Aaron Muchimba, a Central Committee member, was arrested the following year (Saul and Leys, 1995, pp. 56-57).
16. The agreement was signed by the governments of South Africa, Angola, and Cuba (the main protagonists in the Angolan civil war), as well as by the United States.
17. Saul and Leys (1995, p. 198).
18. White Namibian males over the age of 18 were conscripted into the military, and cadet programs were introduced at white schools. The objectives of the cadet programs were to “ensure that white youth are able to adjust to the rigour of military life immediately on beginning their national service ... [and] create an ethos whereby white youth accept the military’s goals without challenge” (Evans, 1989, p. 284). Black Namibian males were encouraged to volunteer for military service with surrogate SADF forces.
19. For example, in the 1940s an alliance of South African-owned companies, supported and protected by South Africa’s government, established the fish-processing industry in Namibia’s Walvis Bay (Tapscott, 1995, p. 156).
20. Seegers (1996, p. 222).
21. By 1988, in excess of 400,000 people had become reliant on the military for employment, income, and security (du Pisani, 1988, p. 9). According to Tapscott (1995, p. 159), many local traders “expanded their businesses into multi-million rand ventures and emerged from the war as full-blooded capitalists.”
22. Evans and Philips (1988, p. 118); Grundy (1988, p. 61). In the Kavango region, schools were built, boreholes were sunk, and roads were built by soldiers to “prove to the rural Kavangos that we had more to offer them than SWAPO” (the words of Col. Dion Ferreira, a senior SADF military officer who headed 32 Battalion). SADF also sought to discredit SWAPO through propaganda and smear campaigns using print, radio, and television media. For example, pamphlets were distributed that depicted Sam Nujoma, the SWAPO president, as a “puppet of the USSR” (Herbstein and Evenson, 1989, p. 112).
23. For example, to create a buffer zone in the Angola border regions, communities in the Ovambo and Kavango regions were forcibly removed from their land. Disrupting agriculture in these areas, this seriously impoverishing the affected communities (Weaver, 1989, pp. 90-102).
24. Seegers (1996, p. 227). Indigenous “cultural” groups were created by South African security forces, such as Etango (in Ovamboland) and Ezuva (in Kavango) “to motivate the Ovambo people to resist SWAPO and any form of communist infiltration.” However, in essence they acted like vigilante groups (Herbstein and Evenson, 1989, pp. 113-115).
25. Tapscott (1995, p. 160). Money from South African security forces was used to prop-up artificially created political parties, such as the Democratic Turnhalle Alliance (DTA), in an attempt to create a South African-friendly alternative to SWAPO (Saul and Leys, 1995, p. 199). SADF also became relatively effective in developing networks of informers in the North (Seegers, 1996, p. 186), and SADF spies were able to infiltrate SWAPO and those organizations that were sympathetic to SWAPO’s cause. Hence, mistrust and paranoia pervaded these organizations.
26. The Namibian Ministry of Defence estimated that a total of 57,000 former combatants had been demobilized (Colletta, *et al.*, 1996, p. 131).
27. Colletta, *et al.* (1996, p. 129).
28. Between 1997 and 1998, there were at least two significant protests by ex-combatants. Dissatisfied former PLAN combatants staged a sit-in at parliamentary gardens, while ex-soldiers from the South African-aligned security forces protested the lack of equity in the distribution of war veterans benefits and threatened to destabilize the country if their demands were not met (*The Namibian*, 1997-1998, various issues).
29. Dobell (1997).
30. In the words of Lombard (1999): “SWAPO was let off the hook, and allowed to continue its authoritarian and uncompromising culture.”
31. In particular, Article 141(i) of the Namibian Constitution guaranteed the job security of civil servants who had worked for the South African occupation administration (du Pisani, 1994, p. 201).
32. In its *Election Manifesto*, SWAPO wanted an armed force that would be based on national conscription where all Namibians between the ages of 17 and 45 would undergo a period of military service for at least two years. The conscription issue was derived from SWAPO’s romanticized belief that all Namibians (male and female) should make a contribution to nation-building. The political realities directly following independence, as well as funding constraints, prevented SWAPO from realizing this vision.
33. A clear indication of this was the creation of the Special Field Force, bearing some of the hallmarks of South Africa’s counterinsurgency forces that had operated in Namibia (the latter were disbanded at independence).

34. Critics argued that Namibia was starting to exhibit patterns that typically characterize autocratic, neo-colonial states elsewhere in Africa, and in the face of ineffective political opposition, was drifting toward becoming a *de facto* one party state (Saul and Leys, 1995, p. 203; Tapscott, 1997, p. 3; Melber, 2003a, p. 18; Melber, 2003b, p. 134).

35. Melber (2003b, p. 142).

36. Melber (2003a, p. 19).

37. Melber (2003a, p. 20).

38. Saul and Leys (2003, p. 78).

39. It was envisaged that recruits would be able to take classes in areas such as agriculture, aquaculture, animal husbandry, civic education, first aid, fire fighting, career guidance, HIV-AIDS awareness, computer skills, and human rights, as well as one year of voluntary community service, and would be eligible to receive study bursaries on completion of the program.

40. According to President Nujoma, the patron of the scheme: “[The National Youth Service Scheme] will provide a long-term and effective means of nation-building while developing the abilities of young people through service, learning and training” (*The Namibian*, 12 October 1999). At launch, Steve Hoveka, the Deputy Director for Training and Employment, was quoted as saying: “It’s self-discipline and self-esteem that we want to instil in our youth, because that [discipline] is the main problem” (*The Namibian*, 8 October 1999).

41. Meetings were held with officials from the Ministry of Higher Education, Training and Employment Creation, which had taken responsibility for the political management of the Youth Service Scheme (*The Namibian*, 9 April 2001).

42. In fact, twenty-four of the recruits were arrested for malicious damage to property (and subsequently expelled from the scheme). Nujoma accused them of being “saboteurs” and “enemies of the country.” In a speech to recruits he threatened: “We are not going to allow chaos in this country. We have the capacity to destroy you all. Don’t make a mistake” (*The Namibian*, 9 September 2002; 10 September 2002; 16 September 2002). Twelve of the 24 that were arrested were charged, but the charges were eventually dropped.

43. *The Namibian*, 6 September 2004.

44. *The Namibian*, 10 March 2005.

45. Cliffe (1994); Saul and Leys (1995); du Pisani (2004).

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After the slaughter: reconstructing Mozambique and Rwanda

J. Paul Dunne

Introduction

One of the major concerns facing the developing world is how to deal with the aftermath of conflict. Conflicts can be immensely damaging to economies, but also leave scars on societies that go much deeper. The variety of forms conflict can take makes it difficult to draw general conclusions from the limited available literature in this field and makes it important to consider the experiences of particular countries. Here are considered the experiences of two countries that have seen rather different but terrible conflict in recent times: Mozambique, which has been recovering from a brutal civil war made worse by the involvement of external actors, and Rwanda, which has been recovering from horrific genocide. Drawing on work reported elsewhere, a comparative analysis is made of the experience of the two countries as they moved away from their devastating conflicts.¹ This provides useful information and a means of learning lessons that can inform future policy formation, particularly regarding the roles of the international community and its institutions.

Post-conflict reconstruction involves a number of issues, such as complexities of the preceding conflict, and economic and military security.

The following section then compares the experience of Mozambique and Rwanda, giving some brief background to their respective conflicts and some quantitative indicators of their paths of development over the period of reconstruction, before considering the role of the international agencies. Finally some conclusions are presented.

Post-conflict reconstruction in developing countries

In dealing with post-conflict reconstruction there are a number of important issues that we can categorize as first, implications of the complexity of individual conflicts that complicate policymaking; second, issues of economic security, resulting from the devastation of war; and third, issues of military security,

resulting from the difficulties and dangers in ending conflicts.

Complexity of conflicts and the transition to peace

The causes of conflict are as varied as the nature of conflict. The roots of war are multifaceted, with important historical contexts. This has made the first step of conflict resolution a detailed understanding of the background and dynamics of the conflict. Very few conflicts are simple. They seldom have single or even few causes and will often be a combination of many features.² Civil wars are particularly difficult to deal with by military or political means as they often lack a clear military goal. The easy availability of weapons, fragmented polity, alienated young, problems of demobilization, shattered infrastructure, and elites dependent on military rather than civil actions for their power and legitimacy, mean it is little surprise when civil wars restart.

The variety of forms of conflict and the various possible causes of conflict all make peace a difficult achievement.³ They also contribute to making recovery from conflict and reconstruction of the country difficult and fraught with the danger of a return to fighting. The peace will first depend on how the war ended, by victory of one side, by international imposition, or by exhaustion, and on whether it does in fact end completely. As war moves to peace the country and economy will require reconstruction and this will certainly need to be designed in such a way as to prevent any of the parties reverting back to war. This of course raises the question of how peace is defined and different groups are likely to disagree on this. Clearly, the process of transition to a commonly accepted “peace” is as important as the end of hostilities. Rehabilitation and reconstruction are likely to aim for more than a return to the pre-conflict economic, political, and social life. This leads to considerable difficulties and specific problems for each individual situation. An important concern is the possibility of moving back to crisis, simply because it makes economic sense.⁴ As Cooper observes post-conflict peace is often no peace at all.⁵

Economic security

Economic reconstruction is clearly vital and may start before the complete end of the conflict or crisis. An improving economy would clearly make it easier for all stages to be moved through. Whenever it does start, the first actors involved are likely to be the aid agencies and the World Bank and IMF.⁶ The fact that conflict has occurred is likely to mean that a series of changes and promises will be needed to deal with grievances to underpin any peace deal. To ignore these and to impose generic policies for economic growth that may have high short-run costs may well simply lead to a reigniting of hostilities. The protagonists may simply see

themselves as being better off fighting. There has been considerable debate over the suitability of the policies imposed by the IMF and the World Bank, with organizations such as the ILO questioning the particular path of reconstruction and development put forward by them.⁷

Post-conflict economic and socio-economic problems will of course depend upon the level of development of the country and the damage caused by the conflict. For example, conflict is likely to reduce the capacity of economies to absorb labor, which in turn is likely to lead to reduced employment in the economy.⁸ The end of war does not necessarily imply economic security, and there are risks. First, problems of micro insecurity, with armed inhabitants desensitized to violence, and high rates of robbery, can discourage the acquisition of visible assets. Second, macro insecurity, the considerable risk that war will be resumed. This is particularly important as it can be reflected in political instability, which is likely to discourage private investment, especially foreign direct investment.⁹ A third type of risk is the fiscal shocks resulting from the war to peace transition.¹⁰ It is important for governments to encourage private investors to make investments that are irreversible and this is likely to require the rebuilding of civil society with concern for investment-sensitive reforms, such as control of inflation, proper valuation of the exchange rate, restraint in revenue collection, and the reestablishment of transport infrastructure. Aid can play a vital role in developing the infrastructure and is itself a valuable way of encouraging other investment. Agriculture will be affected through the destruction of other infrastructure, but also has its own problems and given importance of food security is vital to reconstruction.¹¹

Military security and demobilization

Conflicts seldom end tidily and continued military action may be required, even if only to defend the peace. Weapons often do not make up the majority of military expenditure in developing economies, and demobilizing soldiers is problematic and can take time. If it is done too quickly, the country could end up with disaffected and armed ex-soldiers, and this can be dangerous. A war economy faced with a sudden change in the form and level of demand will find it difficult to adjust.¹² After a civil war the first stage may be to “regularize” all ex-combatants and this costs money. It is likely that an exodus to urban areas will be taking place, and it is important to control this to prevent over-saturation and social problems that could lead to further violence. The obvious way to do this is to target the development of rural areas. Failing to prevent the break-up of social groups and communities, which is likely to result from moves to urban areas, could cause conflict with return of ex-combatants who will not be reintegrated into society.¹³ Unfortunately, the fiscal possibilities are also likely to be limited as well, given the

state of the economy. Generally, revenue raising improvements will be result of foreign aid and loans and these can cause their own problems.¹⁴ Aid can destroy the existing market structures and lead to anomalies, such as farmers being ruined by inflows of cheap aid.

While the need for security may lead to armed liberation movements becoming the government, there can be problems with an organization developed for insurrection trying to rule a country in peace, as Lamb describes for Namibia.¹⁵ It is also possible that continuation of low intensity conflict can be a means of a new elite maintaining control.

All of these concerns suggest that it is important to recognize that developing policies for post-conflict reconstruction is unlikely to be straightforward and will be very much dependent upon the nature, situation, and experience of the individual countries. The next section considers two countries in Africa at different stages of recovery from conflict. It compares their experiences and attempts to draw some lessons.

Comparative assessment

Nature of the conflict

Comparing the experience of Mozambique and Rwanda illustrates the complex nature of conflict well. In Mozambique, independence and the election of FRELIMO led to hostility from the neighboring white minority regimes and the start of a civil war, with the rebel groups supported by South Africa and then-Rhodesia. The achievement of independence had produced initial improvements in the health and education sectors, but there were also economic problems.¹⁶ The country went bankrupt, and the government almost wholly dependent on foreign aid to pay its workers, while remaining militarized with many adult males knowing only fighting and having little alternative but to resort to robbery and extortion to gain income.¹⁷ A new liberal constitution and a partial ceasefire in 1990 led to a peace accord in 1992.

Rwanda is a country recovering from a horrific internal conflict. By the end of April 1994, over 1.3 million Rwandans had fled the country, and over 500,000 had been massacred as the result of the civil war and genocide. The ethnic violence was mainly directed by extremists in the majority Hutu ethnic group against the minority Tutsis and moderate Hutus. It was not the first time violence had flared up, but it was the worst.¹⁸ The invasion of the mainly Tutsi Rwandan Patriotic Front (RPF) from Uganda saw the militia flee and led to a refugee crisis in camps in Zaire (now Congo) and Tanzania. Once the RPF advance on Kigali had been completed, it was agreed to close the camps and let the refugees come back to Rwanda.¹⁹

The Rwanda genocide was clearly not some disorganized outpouring of violence against perceived grievances. It was planned and executed with appalling efficiency, by extremist nationalists within the ruling elite. Yet behind these were important factors that gave rise to the situation. A combination of structural inequality, colonial legacy, economic and agricultural decline, deep-rooted animosity, and the international lack of vision triggered the event of April 1994. The role of the international community both during and after the terrible events is a matter of considerable concern.²⁰ The reconstruction of such a scarred and damaged country represented a considerable challenge.

The conflicts in Mozambique and Rwanda differ markedly in a number of ways. The Mozambique conflict, a civil war, which ended in 1992, was an ideological one with a variety of direct foreign involvements. Rwanda had seen earlier ethnic conflict – with massacres of Tutsis since independence and their flight to Uganda (until in the mid-1960s more than half the Tutsi population was living outside Rwanda) – but the genocide of 1994 was unparalleled. The defeat of the Rwandan army by the Rwandan Patriotic Front (RPF) drove the government and many of the perpetrators to Zaire, but conflict continued, with RPF action against the militia in Zaire. Although security concerns were the driving force, later involvement in Zaire-Congo is seen as being driven by the wish to exploit the rich natural resources of its vast neighbor.²¹

The colonial legacy of both countries was important in precipitating the conflict, and poverty and inequality were and are important issues. The Mozambique conflict ended in a peace agreement in 1992, the Rwandan conflict in victory for the RPF. Mozambique has become a democracy, with its first democratic elections in 1994, while Rwanda of necessity introduced a government of national unity, with elections in 2001.²²

Economic security

Mozambique and Rwanda have in recent years been among the world's fastest growing economies, although from a low base and with a heavy dependence on aid. Mozambique also suffered devastating floods in 2002. As Figure 1 shows, they did exhibit very different growth paths since the early 1980s, with the Rwandan economy collapsing in terms of per capita GDP over the period of the genocide and conflict from 1992 to 1994. Mozambique, with its more drawn out civil war had a less pronounced decline till the end of the conflict in 1992. The experience of both countries is, however, in stark contrast to the continued growth in per capita GDP for low-income countries as a whole over the period.²³ Despite their impressive growth rates in the 1990s however, neither country seems to be converging on the average per capita GDP for the world's low-income countries, suggesting continued issues of inequality and poverty, which is a concern.

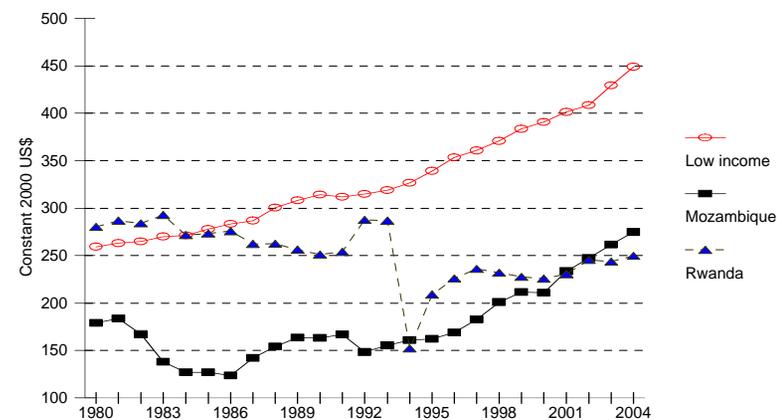


Figure 1: Per capita GDP.
 Source: WDI (2006).

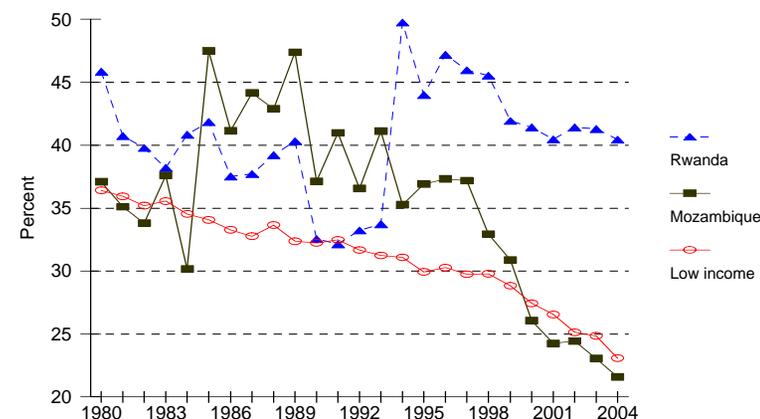


Figure 2: Agricultural value-added as percent of GDP.
 Source: WDI (2006).

Both countries show a dominance of agriculture in their economies and shares that are high relative to the average for low income countries (Figure 2), but post-conflict both have successfully reduced agriculture's share through the development of other sectors of the economy, particularly so for Mozambique.

A useful way of judging the problems faced by people within the country over

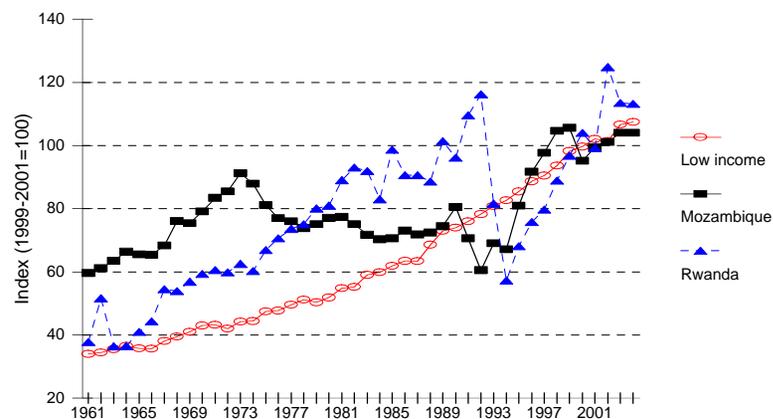


Figure 3: Food production index (1999-2001=100).
 Source: WDI (2006).

the period of conflict is to consider food production. As Figure 3 shows, low-income countries as a whole saw a steady rise in the food production index over the period, whereas the conflict in the two counties made production more erratic, declining from 1990 to 1992 in Mozambique and sharply during 1992-1994 in Rwanda. Given the dependence of these countries on agriculture, these patterns are a clear indicator of the problems and hardships faced by people during the conflicts. They also show the progress that has been made in recent years, particularly in Rwanda.

The response of the international community to the problems is shown in Figure 4, which shows the level of aid received. In both countries, aid grew over the early 1980s and peaked at the height of the conflicts: Mozambique in 1992, and in Rwanda in 1994. The response to the floods in Mozambique in 2002 is clear as well, and both countries still receive high shares of aid relative to the low-income country average.

In analyzing the experience of the two countries, this type of post-conflict quantitative information can only provide a partial picture and one that is ex-post. Qualitative and judgmental indicators are also important, based on the judgements of researchers and agents on the ground. This not only provides important, even if sometimes impressionistic, information, but also allows the validity and reliability of published information to be gauged. Dunne and Mhone report details of studies on Rwanda and Mozambique that collected such information in 2001. This is combined with more up-to-date World Bank statistics in the discussion below.²⁴

As we have seen, the international community played an important role in post-

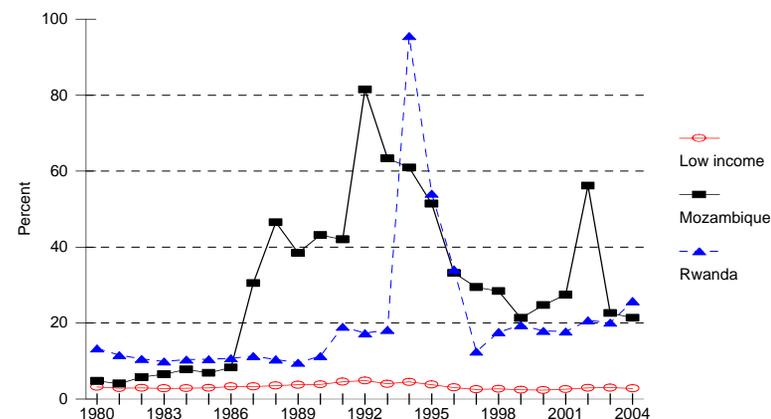


Figure 4: Official development assistance and official aid as share of GNI.
 Source: WDI (2006).

conflict reconstruction in both countries, but in rather different ways. Not surprisingly, foreign aid became an important part of the two economies in the immediate post-conflict period (Figure 4), but also declined rapidly, particularly in Rwanda. There were also clear differences in the interactions between the two countries and the IMF and World Bank, mainly because of the changes that took place in the attitudes of the institutions.²⁵ Mozambique had been involved in the Economic Reconstruction Program from 1986, prior to the end of the conflict, which provided a stamp of approval that made it easier to raise aid and loans, and when the government pressed for rescheduling and relief they gained it in recognition of their attempts to move toward a market-oriented economy. In 1996, the Heavily Indebted Poor Country (HIPC) initiative by the World Bank and IMF provided some relief, contingent on meeting structural adjustment targets, and part of the money was earmarked for debt servicing. Some bilateral lenders have written off debt without conditionalities. This financial assistance came at a cost, however, as the model imposed by the World Bank and IMF was the old structural adjustment one and was inflexible (involving devaluation; elimination of price controls on basic goods; elimination of subsidies on government services; reduced government expenditure and public sector employment; privatization of state assets). The conditionalities attached to the aid caused considerable economic problems and increased poverty levels.

The issue of poverty was a concern in Mozambique well before the World Bank had decided the need for a rethink of its policies in the light of failure and criticism. The old policies had a particularly bad effect on economies disrupted by

war as evidenced in Mozambique. The supposed trickle-down reduction of poverty was seen as unlikely to impact much on the extreme poverty there and if anything had made matters worse. There were price rises of food as price controls were eased, reductions in food and rent subsidies, reductions in social services, and the introduction of fees for health and education. At the same time, wage increases were not sufficient for many workers to deal with the price increases, and the burden of adjustment fell disproportionately on the poor. Structural adjustment policies also led to large job losses and some suggestions that they were applied in an inappropriate manner.²⁶

By 1990, the Mozambique government was pushing for poverty alleviation through the direct allocation of resources to the most vulnerable groups.²⁷ From 1990, economic growth averaged six percent per annum, although from a very low base, with inflation virtually eliminated by the late 1990s. Over the period 1994-1998, the volume of agricultural produce reaching the market more or less doubled. Improvements in transport assisted the peasants in accessing markets but there were still problems in the North and North West regions. Recovery was also constrained by erratic rainfall patterns and the existence of minefields in agricultural areas. A timber boom also took place, particularly for hardwood, although with little attempt at reforestation and hence concerns for sustainability of the resources. Other developments included moves to rehabilitate national parks and to develop tourism, but the ecological problems resulting from overfishing and environmental degradation made these tasks more difficult. The floods in 2002 led to a serious setback in development within southern Mozambique, and the response of international community also showed up some of the tensions between government plans and donor support.²⁸ Since then economic growth has moved above trend.

Privatization has not been particularly successful. It led to corruption and confusion, with problems of accountability within the ruling elite, with the problem common in Africa that politics is seen as the most accessible way of accumulating wealth. A number of enterprises fell into financial difficulty, although the inflow of foreign investment in the south of the country – in particular the development of the Maputo transport corridor with South Africa²⁹ – did improve the situation.³⁰

The experience of Mozambique under the policies of structural adjustment has been mixed, with some promising economic growth at present but clear structural weaknesses and inequality and a concern of unsustainable growth.³¹ As Bruck, *et al.* argue there are powerful legacies of the war that were not completely understood when the policy was introduced and have shaped the pattern of economic development more than was realized.³² It was not the more obvious destruction of capital that came out of the conflict but the less visible damage to institutions, markets and confidence, and the persistence of subsistence agriculture for the majority of the population. They argue that too little attention was paid to the

preconditions for the smallholders to develop output, trade, and living standards, and that this has led to an increasing divergence between the rapid urban growth and the slow rural growth that is causing real problems.³³

Given the economic success of Mozambique in later years, these mistakes represent considerable lost opportunities. They also represented risks to the continuation of peace, but interviews indicated that fortunately there were a number of important programs that attempted to address these problems. These were often introduced and supported by other international organizations, such as the ILO and NGOs: capacity-building activities within the ministries directly aimed at providing necessary skills and technologies, which were particularly important in setting up necessary regulatory system for the private sector; demobilization and integration programs that provided important support for ex-combatants to prevent them moving back to fighting or banditry; labor-intensive road projects, which developed infrastructure in the regions and provided incomes to local people in the regions the roads passed through; and other targeted local development projects that brought employment to the regions where it was needed in an economy dominated by the capital Maputo. All of these, together with the move to democracy, addressed fundamental problems in the continued transition to peace. They did tend to come relatively late in the process, however, in spite of the increased flexibility of the World Bank/IMF policies, and would have been more valuable if they had started earlier, been more extensive, and if the employment intensive techniques had been expanded into other sectors as well.³⁴

In its post-conflict reconstruction, Rwanda benefitted from the changed attitudes of the World Bank, and lessons seem to have been learned by international and local advisors from the experience of countries such as Mozambique. That is not to say that mistakes were not made. An initial misguided concern with prioritizing high-tech led growth has been transformed with a clear policy toward recognition of the importance of agriculture and its development. This was particularly important given the small size of the average holdings, the density of population, and the needs for reintegration and is evident in the growth and maintenance of agriculture as a share of GDP (Figure 2) and the impressive growth in food production (Figure 3). The Mozambique experience suggested that it was important to undertake reform and restructuring at the same time and to get to know the nature of the post-war economy. This meant building up capacity in government, both local and national, building up data/knowledge and research on the structure of the post-war economy, improving infrastructure and communication, developing participation, reintegration and entitlement, recognizing the need to improve governance before introducing large-scale privatization and, finally, emphasizing poverty alleviation and the rural economy. All of these were started relatively early in the process of reconstruction in Rwanda, involving international agencies and benefitting from the more flexible

attitudes of the World Bank/IMF. Another important initiative was the setting up of a Demobilization and Reintegration Commission, with reintegration a particularly important aspect, given the nature of the conflict in Rwanda. Although conflict continued in DRC/Zaire, domestic conflict quickly subsided and successful demobilization became important. Again there were important lessons learned from the experience of countries such as Mozambique in setting up programs.³⁵ The more flexible World Bank supported Rwanda's impressive Poverty Reduction Strategy³⁶ that was developed, and the benefits are clear from the experience of the economy.

Despite its economic success there are concerns with some of the political and human rights developments in Rwanda. The second Congo war seems to have had little to do with security concerns and more with plunder, and there are concerns that a "commercialized" military can contribute to continued regional instability.³⁷ As Guy Lamb (this issue) argues, liberation movements do not necessarily make good governments, and in the case of Namibia exhibited tendencies to autocracy relatively early on. It would be unfortunate if the clear economic successes in the country are undermined by political developments that reignite conflict.³⁸

Conclusions

Comparing the experience of Mozambique and Rwanda as they recovered from crisis is a useful exercise. The most striking difference between the two is the changed role of the World Bank and the IMF in reconstruction. The move away from the failed structural adjustment packages for post-conflict situations to a more flexible policy focused on the Poverty Reduction Strategy, which, while still heavily influenced by the World Bank perspective, meant that Rwanda did not suffer from the classical model of structural adjustment in the immediate period of reconstruction as Mozambique did. More recently, Mozambique has also benefitted from this change in policy, with a willingness by the World Bank to listen to arguments for policies that aim to alleviate poverty, encouragement for domestic ownership of policies, and a more questioned approach to privatization in the absence of governance structures. These changes have also made it easier for international organizations such as the ILO, UNDP, and NGOs to develop programs that focus on the specific problems of post-conflict reconstruction, including demobilization and reintegration, labor-intensive road building, and other local economic development programs. The benefits of these changes are readily apparent from the economic indicators.

That increased flexibility should be important is no surprise, given the complexities and differences identified. It is clearly difficult to make generalizations and design general policies, and it is dangerous to be too formulaic, in the sense of drawing strong policy conclusions from limited information and

being inflexible in implementing them. Care is needed, as data are often poor and unreliable, although improving as the country moves through the reconstruction phase.³⁹ Having information on what is happening in the country and people on the ground, has enabled the international community to tailor programs for the local areas. It is also necessary to gauge the less visible legacies of the conflict. The damage on institutions, markets and consumer confidence, the persistence of subsistence agriculture because of lack of support to smallholders, the regional issues, lack of development of living standards, and the divergence of urban-rural development.

It seems that there have been improvements in how the international community has assisted countries moving out of conflict, but this should not lead to complacency. While the comparative analysis undertaken in this article has pointed to important achievements, it has also indicated continuing problems and concerns that urgently need further work.

Notes

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1. Dunne (2003); Dunne and Mhone (2003).

2. In each year of the 1980s and 1990s decades there have been between thirty and forty major armed conflicts in progress. The 1996 SIPRI Yearbook lists 30 major armed conflicts in 25 locations in 1995. All were internal or interstate disputes over government or territory. There was a wide variation in the intensity of these conflicts, from "low intensity" guerrilla-government conflicts, to conflicts between relatively large and well-equipped armies. There has also been a prevalence of conflicts within well-defined locational boundaries, often interstate or civil wars. In developed and developing economies the nature of war has undergone important changes, with an increasing role for less formal armies, lack of battlefield engagement, and an increased involvement of civilians as victims (Kaldor, 2001; Duffield, 2001).

3. On the basis of case study analysis of 15 countries, Harris (1999) argues that war is associated with slow growth, declining food production, and declining exports. While war is generally not the only or essential cause of such economic problems, once it has started it does impact negatively on human development.

4. Collier and Hoeffler (2001).

5. Cooper (2006).

6. An important issue to be dealt with by all those involved is the perceived balancing of the demands for greater economic growth with those for greater social justice and human welfare. This is often externally imposed by the World Bank and the IMF who tend to impose structural adjustment policies for economic growth and to oppose policies that are concerned with social justice and redistribution. Although their attitudes and policies have changed in recent years, this partly reflects past failures and the recognition that they were the result of too rigid an adherence to the doctrine of structural adjustment.

7. These include the concern of the ILO for the reduction of the “decent work deficit” and their arguments for the recognition that different development trajectories can lead to the same outcome in economic terms in the long-run, but the nature of the paths may be very different. See ILO (1995).

8. ILO (1995); Dunne (2003).

9. Collier and Gunning (1994).

10. Governments may find it difficult to raise taxes or borrow from the public and will be tempted to print money, possibly resulting in inflation, although a post-Keynesian economist would argue that the link from money supply to inflation is not clear and if anything is likely to be the other way around.

11. It is important to consider both subsistence and commercial farming. The former is crucial as it can allow much of the population to become self-sustaining fairly rapidly, and the latter is important as it may be the only earner of foreign exchange and important in sustaining economic activity in the cities. It is also important to recognize the impact conflict can have on rural household behavior and how this might affect their responses to attempts at reconstruction (Bruck, 2000).

12. In conflict situations, the informal economy can often come to the fore. This can be a complex circuit of exchange with international links, e.g. Sarajevo. But with the end of conflict the strength of this sector can act as a restraint on the reassertion of the formal economy and can introduce criminal elements. Indeed, as Duffield (2002) points out, conflict can lead to a transfer of assets to middle men and this can be extremely destructive and embed inequality. At the same time, this is usually a circulation of goods, with little new production of assets. The informal sector, however, may be the only viable possibility of a livelihood for many and the impact of destroying it through reconstruction policies may not be compensated for by the growth of the formal sector.

13. ILO (1995).

14. Such as displacement, dependency, and difficulty in making interest payments.

15. Lamb (in this issue).

16. Hanlon (1996).

17. Harris (2000).

18. Prunier (1995).

19. Dunne (2003). Most of the Government armed forces and their weaponry went to Goma, followed by the RPF. The camps in Tanzania saw less conflict. There are still refugee camps in both countries and concerns over human rights (Reyntjens, 2004).

20. Melvern (2000, 2006).

21. Reyntjens (2004).

22. The elections have come under criticism as being flawed and since then some concerns have been raised over undemocratic actions in Rwanda (Reyntjens, 2004).

23. Separating out the countries growth rates shows Mozambique to have higher growth rates than the average for low-income countries, but with more variance. The conflict led to negative growth in the early 1980s, improving immediately after the imposition of the Economic Rehabilitation Program (ERP) in 1986 to rehabilitate the national economy, but then declining until the 1992 peace agreement and then remaining positive until 2000. In 1989, the ERP became the Economic and Social Rehabilitation Program (ESRP), in an attempt to provide a relief program to the poor and deal with the social crisis created by the ERP. In contrast, Rwanda had low growth rates over the period, sometimes with small negative rates, until after the Arusha accords when the effect of the conflict was catastrophic Dunne (2003).

24. Dunne and Mhone (2003).

25. Stiglitz (2003).

26. The usual example of this is the cashew nut industry, traditionally a major earner of foreign exchange. The World Bank insisted that restrictions on the export of unprocessed nuts be lifted, despite the advice of independent experts. This led to the collapse of the processing industry. The bulk is now exported unprocessed to India. The peasants have benefitted from higher prices offered by exporters, but the job losses in the processing industry have been damaging to the regions affected, particularly in the North (Haines, *et al.*, 2001).

27. Policies include employment generation, the use of labor-intensive production methods, a safety net of transfers, and health and education provision.

28. See Dunne and Mhone (2003) for interview sources for this information.

29. A joint development with South Africa linking Gauteng and Maputo (Haines, *et al.*, 2001).

30. Castel-Branco, *et al.* (2003).

31. Haines, *et al.* (2001).

32. Bruck, *et al.* (2000).

33. Also see Addison (2001a, 2001b).

34. Such works have been concentrated in the road sector in Mozambique, but this has limited the expansion of the technique into other sectors because of the lack of a “sponsor” at ministerial level (James Markland interview).
35. Dunne and Mhone (2003).
36. Rwanda (2002, 2003).
37. Cuts in military expenditure may have been compensated by more commercial sources of income for the military elite.
38. Reyntjens (2004). Also see Yousif’s analysis (this issue) on the United States’ post-conflict economic program in Iraq.
39. It is not just the existence of the data that is a concern, but its reliability at any detailed level, given the lack of capability and resources in the countries.

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The cost of peacekeeping: Canada

Ross Fetterly

A great deal has been written about United Nations peacekeeping operations, including basic quantitative information such as the number and location of missions and personnel and financial support supplied by member states. In contrast, almost nothing has been written on the cost of peacekeeping from the perspective of contributing states such as Canada. This article shows that Canada incurs significant costs in support of peacekeeping deployments that are neither budgeted or otherwise explicitly accounted for over and above reported costs. The actual cost of peacekeeping to Canada is much higher than is ordinarily appreciated. This is likely to be true for other states as well and may help explain why the United Nations or other international organizations such as NATO have had difficulty calling upon peacekeeping contributions from member states.

A great deal has been written about United Nations peacekeeping operations. In contrast, almost nothing has been written on the cost of peacekeeping from the perspective of contributing states such as Canada.

For fiscal year 2005/6, Canada's Department of National Defence received C\$14.3 billion to carry out its assigned tasks,¹ namely to "defend Canada and Canadian interests and values, while contributing to international peace and security."² The top priority is the defense of Canada, followed by the defense of North America. The third priority is to contribute to international peace and security. Within that category, international peacekeeping and peace support operations are among the primary tasks and now account for a substantial portion of Canadian military activity each fiscal year.³ While homeland security remains the top statutory priority, expeditionary (deployed) operations drive the daily operational tempo. The cost of peacekeeping, nowhere explicitly budgeted for, is spread throughout the Canadian defense budget.

The Department of National Defence (DND) defines peacekeeping expenditure under the terms "full cost" and "incremental cost." The full cost is the cost to DND for the operation. Included in this cost are civilian and military wages, overtime, and allowances, full costs for petroleum, oils and lubricants, spares, contracted repair and overhaul as well as depreciation and attrition for all equipment involved. The incremental cost is the cost to DND which is over and above the amount that would have been spent for personnel and equipment if they had not been deployed on the task. It is derived from "Full DND Cost" by subtracting wages, equipment depreciation, attrition, and other costs that otherwise would have been spent on

exercises or absorbed as part of normal activities.

It is important to appreciate that although there are peacekeeping costs, there is no peacekeeping budget. But because peacekeeping incurs costs, supplemental funding for defense budgets will have to be passed and future defense budget allocations will have to rise. For example, to field forces outside Canada, the country incurs personnel costs within Canada such as costs to prepare for or recuperate from overseas deployment, costs to reconstitute unit equipment and other resources, and costs for personnel at National Defence Headquarters and Canadian military bases in general support of overseas deployment, all costs that otherwise would not have been incurred.

The next section briefly reports the funding of Canadian peacekeeping activities and outlines the shift toward peacekeeping operations in Canadian defense activity and expenditure since 1989. The section thereafter analyzes equipment deployed or in support of deployment overseas, especially with regard to the Canadian Air Force. The section finds that the costs that make overseas deployment possible are substantial and form a major hidden cost of peacekeeping that, in future, needs to be made explicit to properly guide defense and peace operations planning and budgeting.

Funding and staffing peacekeeping

Current Canadian defense policy is based on the 2005 *International Policy Statement*, the government's response to the post-9/11 environment. Directing Canadian forces to "address threats both at home and abroad,"⁴ peacekeeping, although indirectly affecting the defense of Canada and North America as well, is prominent as the third-ranked priority. The costs of Canadian deployed operations, including peacekeeping-related costs, are substantial, with incremental costs of C\$396 million in fiscal year 2004/5 alone, and full costs that year amounting to C\$927 million.⁵ The costs associated with peacekeeping are significant, yet are not explicitly captured or analyzed for their long-term impact on the defense budget. In particular, the increased use of equipment on deployed operations has an inflationary influence on subsequent requirements for spare parts, repair and overhaul, and the timing of equipment replacement programs. The cumulative effect of the high level of peacekeeping operations since 1989 will exert adverse

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pressures on the operations and maintenance and the capital budgets for the next fifteen years – in effect, for the time period of Canada’s entire long-term capital program.

Uncertainty and change in the international security environment since the end of the Cold War have resulted in frequent unexpected, unplanned – and unfunded – deployments of Canadian military personnel. In practice, in-year incremental costs (extra costs within any given fiscal year) of unexpected deployments are submitted by DND to the Treasury Board through the Supplementary Estimates process. Indeed, DND is a significant annual beneficiary of the Supplementary Estimates funding process. Table 1 compares funding at the start of fiscal years 1993/4 to 2004/5 (the “main estimates”) with year-end actual spending.⁶ Much of the increases result from Canadian participation in peacekeeping activities during the listed fiscal years.

Table 1: Department of National Defense funding, 1993/4-2004/5 (in C\$ million)

Fiscal year	Main estimates	Actual spending
2004/5	13,287,516	13,922,518
2003/4	12,255,000	13,185,615
2002/3	11,834,000	12,415,337
2001/2	11,390,000	12,243,537
2000/1	11,199,000	11,469,965
1999/0	10,304,500	11,521,681
1998/9	9,382,721	10,256,532
1997/8	9,916,518	10,187,255
1996/7	10,555,000	10,573,272
1995/6	11,080,000	11,373,806
1994/5	11,545,000	11,773,710
1993/4	11,970,000	12,003,079

Source: Canadian Department of National Defence

The end of the Cold War resulted in an eruption of intra and interstate conflict and lead to a rapid proliferation of United Nations peacekeeping missions. As from 1990, Canada – a strong supporter of multilateralism and of United Nations international peace and security efforts – began an intense period of deployments of troops and equipment in support of United Nations (and NATO) peacekeeping in a number of continents. The table in the Appendix provides full and incremental cost information on Canadian peacekeeping. From a relatively stable level in 1989/90, costs increased dramatically as from 1990/1 onward, both in terms of full

cost and of incremental costs.⁷ The sum total of the full cost of peacekeeping to DND from 1989/90 to 2004/5 was C\$12.7 billion, of which incremental costs amounted to C\$4.3 billion.

Deployed operations have spanned the globe. Figure 1 shows significant annual variation in the number of deployed troops.⁸ Although peacekeeping in the Former Republic of Yugoslavia (FRY) has dominated deployed operations, Canada also participated in significant missions in Asia, the Middle East, the Americas, and Africa. Places that Canadians were little aware of before the 1990s became frequent destinations of Canadian peacekeepers. The closing of Canadian Forces Base (CFB) Baden-Soellingen in 1994 and CFB Lahr in 1995, both in Germany, had significant implications regarding deployment and sustainment costs as Canada no longer had a staging facility in Europe. Consequently, supply chains, e.g., for spare parts, had to originate in Canada.

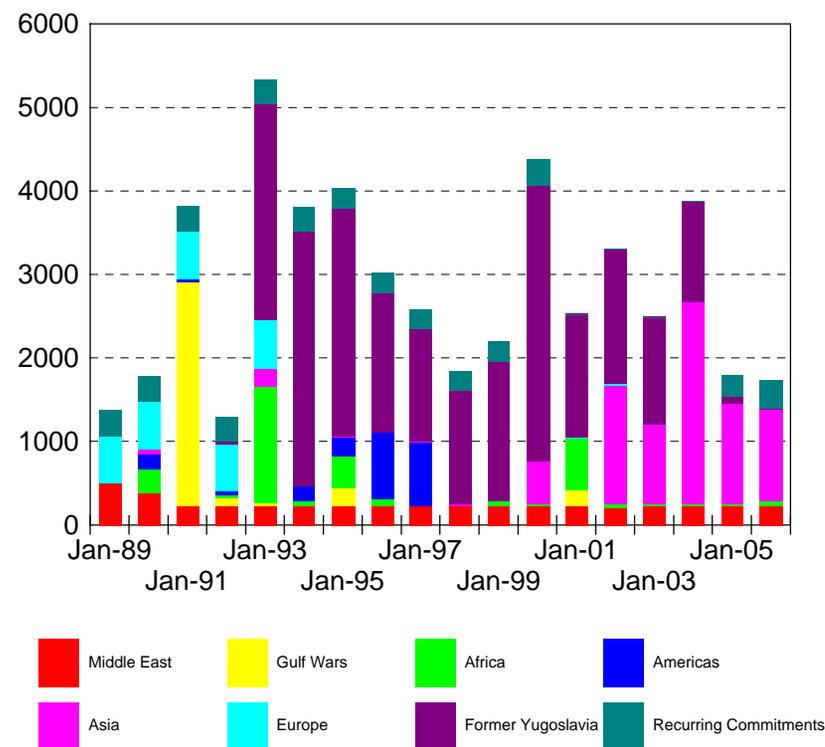


Figure 1: Personnel deployed on international operations, January 1989-2006.
 Source: Pollick (2006); Canadian Department of National Defence.

In his 2002/3 annual report, the Chief of Defence Staff stated that “operations are our business and the most important and visible expression of how we make a difference and why we serve.”⁹ For 2002/3, in excess of 5,000 Canadian military personnel were deployed on a variety of overseas operations; their average number exceeded 2,500. Table 2 shows the cost of these deployments in terms of both full and incremental costs.

Table 2: Cost of Canadian peacekeeping deployments, fiscal year 2002/3 (in C\$ million)

	<u>Full</u>	<u>Incremental</u>
<u>Europe</u>		
SFOR Op Palladium – NATO (Bosnia)	472.9	180.7
Op Quadrant (Albania, UNMIK, UNMACC)	0.8	0.4
Op Image – NATO (DCAOC Italy)	0.2	0.1
Op Artisan – U.N. (Albania)	<u>0.1</u>	<u>0.1</u>
Subtotal – Europe	474.0	181.3
<u>Asia</u>		
Op Apollo (Afghanistan, southwest Asia (from Tampa, U.S.A.))	<u>709.1</u>	<u>233.5</u>
Subtotal – Asia	709.1	233.5
<u>Middle East</u>		
Op Danaca – UNDOF (Golan Heights)	29.6	8.0
Op Calumet – MFO (Sinai)	3.0	0.5
UNTSO – (Middle East)	1.5	0.7
Op Snowgoose – UNFICYP (Cyprus)	<u>0.3</u>	<u>0.1</u>
Subtotal – Middle East	34.4	9.3
<u>Africa</u>		
Op Addition – UNMEE (Ethopia/Eitrea)	1.0	0.5
Op Crocodile – MONUC (DRC)	1.3	0.3
Op Sculpture – IMATT (Sierra Leone)	4.0	0.4
Op Reptile – UNAMSIL (Sierra Leone)	<u>0.6</u>	<u>0.2</u>
Subtotal – Africa	6.9	1.4
Cost of all peacekeeping operations	1,224.4	425.5

Source: Canadian Department of National Defence

Two major peacekeeping missions determined the majority of peacekeeping costs in 2002/3. The first involved the “war on terrorism” in southwest Asia and resulted in C\$234 million in incremental costs to DND. The second was the long-standing NATO mission in Bosnia and resulted in incremental costs of C\$181 million. The third-largest Canadian peacekeeping mission in 2002/3 was substantially smaller in size, scope, and cost. This was the Canadian contribution to the United Nations mission on the Golan Heights (in which Canada has participated since 1974), and carried incremental cost to DND of C\$8 million. Canadian Forces had a further 10 missions in 2002/3. Although each incurred less than C\$1 million in incremental costs, the time and effort required by National Defence Headquarters Joint Staff to manage the small numbers of peacekeepers in those missions and to monitor and adjust to changing circumstances in the respective theaters of operation was substantial.

Cost of Canadian Air Force peacekeeping deployments

Figure 2 illustrates the deployment frequency of major types of equipment used by Canadian armed forces personnel from 1990 to 2001. In particular, it demonstrates the high usage of transport aircraft fleets on foreign deployments (Boeing/Airbus, Hercules). Although the figure is limited to deployments up to 2001, it is known that these equipment types continued to be used at high operational tempo and in significant quantities through 2006. For example, the changed nature of perceived global threats, and the Canadian response thereto, resulted in a significant naval presence in the Persian Gulf region during the period immediately following 11 September 2001 and in an increased use of Armored Personnel Carriers in Afghanistan, such as the Light Armored Vehicle III (LAV 3). This demand is likely to continue for at least the remainder of the 2000s. The figure only indicates use of equipment, regardless of length of use, e.g., three months or three years. Likewise, it does not reflect intensity of equipment use.

The figure reveals that the equipment fleets of the Army, Navy, and Air Force are affected at distinctly different rates of frequency and intensity of use. This is true not only across service branches but also within each branch. For example, Figure 3 illustrates air force support to peacekeeping operations from 1990 to 2004 and demonstrates the broad range of peacekeeping roles in which Canadian Air Force personnel and their equipment have participated.¹⁰ During this time, Canada has employed CF-18 fighter aircraft in combat, its crews have operated NATO Airborne Warning and Control Aircraft (AWACS) and also CC-130 Hercules and CC-150 Polaris aircraft in a variety of transport functions. In addition, CH-146 Griffon helicopters were flown in an assortment of Army support roles, and CH-124 Sea Kings and CP-140 Auroras were deployed in a number of maritime aviation operations.

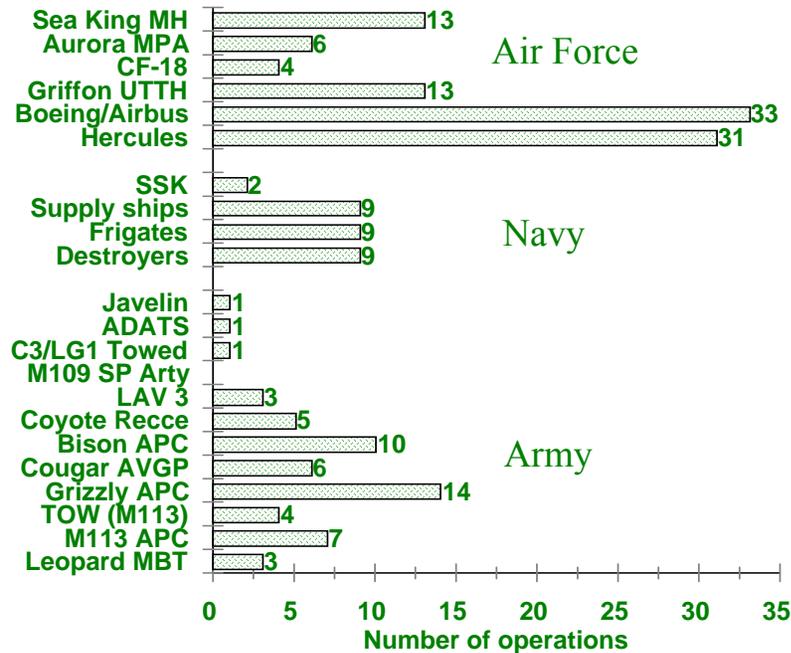


Figure 2: Fleet deployment frequency, 1990-2001, of 72 peacekeeping operations with Canadian involvement
 Source: Canadian Department of National Defence

The air platforms Canada deployed in international operations from 1990 to 2004 cover virtually its entire fleet, from long-range patrol aircraft to fighters and helicopters. But in over half of the cases, strategic or tactical airlift is Canada's single-most used air asset. Maritime and tactical Army helicopter deployments occur with some frequency (generally as an organic element of Naval and Army deployments), although tactical helicopters have on occasion deployed as a stand-alone package. Fighter and long-range patrol aircraft tend to deploy less frequently as they are generally used in offensive or interdiction roles which occur less often than humanitarian and peacekeeping operations. In addition, Canadian Air Force aircraft often operate at long distance from their domestic Canadian Forces bases to overseas theaters of operation. In the case of airlift support, this poses a particular challenge to aircrew and maintenance personnel.

Funding for military forces is based on a combination of the tasks they are

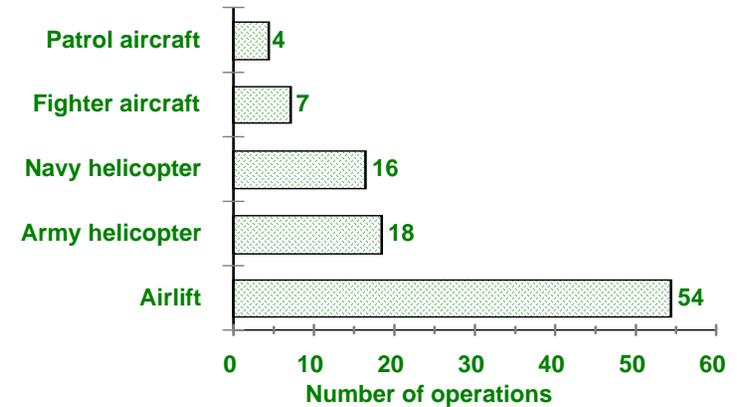


Figure 3: Canadian international contingency air operations by aircraft type, 1990-2004
 Source: Canadian Department of National Defence

asked to perform and the level of activity at which they operate. The basic building block for funding is the Yearly Flying Rate (YFR) for aircraft fleets. Flying hours are the "unit" of activity. But not all flying hours on a specific type of aircraft are equal, nor do they cost the same. For example, the cost to fly CH-146 Griffon 430 Squadron helicopters from the Canadian Forces Base Valcartier in northern Quebec is less than the cost of flying the same helicopters on a peacekeeping mission in Haiti.

Routine and contingency operations

Canadian Forces operations are classified, depending on mission objectives, as either "routine" or "contingency." Routine operations are those for which a given Force Generator – the Army, Navy, or Air Force – has been specifically tasked, organized, and equipped. Existing command and control relations are used, and there is no requirement to use joint terminology. Doctrine for routine operations is generally environmental in nature, such as routine North American Aerospace Defense Command operations. If an operation does not fall into the routine category, then it is deemed to be a contingency operation, and a Task Force tailored to that operation is generated. Contingency operations can be conducted in either a domestic or an international theater.

In practice, application of the routine and contingency operation definitions within National Defence Headquarters has meant for instance that the Standing

Naval Force Atlantic commitment – the deployment, sustainment, and redeployment of all contingency operations – as well as all North American Aerospace Defense Command operations are considered “routine.” Until 11 September 2001, these operations did not receive operation names and were not tracked in detail, and the Air Force could not point to continuous operations as an indication of operational tempo. This despite the fact that many of these “routine” operations were flown in high-risk theaters operationally identical to those of forces deployed on formal “contingency” operations. The routine nature of deployed operations is especially true of airlift, but to an extent also of maritime helicopter and maritime patrol operations. A specific air transport squadron may undertake numerous “routine” airlift operations to several different deployed operations, yet their efforts would not be reflected in the monthly statistics of deployed personnel. This high “routine” tempo, attributable to what ought to be counted as “contingency” operations, then manifests itself in budgetary follow-on costs down the road, i.e., incremental costs not previously anticipated.

Airlift support to deployed operations

Each type of aircraft in the Canadian Forces inventory was purchased to be used in specific roles and to perform certain functions. In some cases, air assets are employed to support specific naval or land operations. In other cases, aircraft, especially transport aircraft, function in a strategic role that benefits an overall mission. In effect, all Canadian in-theater forces are the recipient of these transport services. Consequently, there is no single in-theater authority to whom they are responsible. Conversely, the CH-124 Sea King and CH-146 Griffon helicopters work directly for a specific Naval or Army commander, respectively. When the commander sets operational priorities and directs front-line commanding officers, the Commanding Officer of, say, the Griffon helicopter squadron is at the table and can provide direct advice to the Army commander. But in the case of general airlift functions, decisions on theater movement priorities are made at National Defense Headquarters in the J4 Movement Organization. This can cause decision-making incentives to be skewed, with subsequent accounting and budgetary problems.

Air Transport squadrons are funded for Temporary Duty (TD) costs, based on the squadron Yearly Flying Rate. When J4 Movement tasks either 437 Squadron aircraft (CC-150) or 436 Squadron aircraft (CC-130) in Canadian Forces Base Trenton to provide airlift flights to a peacekeeping mission within the Yearly Flying Rate, costs are absorbed by the squadron. While they are direct costs to DND, they are not directly reported as deployed operations costs. When J4 Movement contracts for commercial lift in support of peacekeeping operations, the cost is funded from the departmental deployed operations peacekeeping budget. In both cases, J4 Movement must assess which alternative is the most cost effective.

The conundrum is that the closer the service provider is to the client, the better able the service provider is able to understand and manage costs. In the case of employment of Sea King and Griffon helicopters in peacekeeping operations, the client/service arrangement is predicated on immediacy.

Air asset maintenance

The high frequency of Canadian Forces aircraft deployed on operations outside Canada was shown in Figure 2. The figure does not reflect the age of the aircraft fleets. For example, many of the CC-130 Hercules pilots are younger than their aircraft, and the management of these aircraft is a significant concern. The CH-124 Sea King helicopters are the oldest fleet of aircraft in service. Purchased between 1963 and 1969, they are to be replaced by the Sikorsky H92 helicopter. Given the age of the CH-124 Sea King helicopters and the important role they play in support of the Navy, it is worth considering how the Canadian Forces maintains the aircraft in service. Prior to operational deployments, the CH-124 Sea Kings are put through a detailed maintenance schedule. Due to the in-depth experience maintenance crews have acquired over the years with these aircraft, the Canadian Forces Supply System is able to predict with reasonable accuracy the spare parts that will be required on deployment. Any additional, unanticipated spare parts requirements are shipped to the next port that the naval vessel the helicopter is assigned to will visit. The aircraft are effectively maintained, but their age adds a significant expense.

Aircraft maintenance is either preventative or corrective. The age of the CH-124 Sea Kings has necessitated an increased preventative maintenance schedule to keep the corrective maintenance at a manageable level. Corrective maintenance on old aircraft has its own unique challenges. For example, a number of spare parts are no longer available from the manufacturer or from suppliers and must be manufactured on an as-required basis. This can be very costly. Deployment of CH-124 Sea Kings overseas also carries a number of associated effects, as is the case for other equipment fleets as well. For instance, maintenance on and spare part demand for aircraft about to be deployed is prioritized over aircraft remaining in Canada. One effect is that availability of aircraft remaining in Canada may decline as a result and this, in turn, adversely affects training schedules, planned domestic operations, and maintenance schedules.

Air power provides commanders with flexibility, responsiveness, and mobility, and the demand for their employment in future peacekeeping operations will likely increase. Future use of air power also will likely involve significant growth in surveillance and reconnaissance. This could involve upgraded CP-140 Auroras, CH-146 Griffons, and Unmanned Aerial Vehicles (UAVs). The air transport fleet can be expected to continue operating at a high operational tempo. Even upgraded CF-18 fighter aircraft could see action in coalition air combat operations. But aging

aircraft require more personnel hours to maintain, and spare part costs escalate. The long service of the CH-124 Sea Kings demonstrates that aircraft technicians can keep the aircraft airworthy, but only at steadily rising cost to the National Defence Headquarters National Procurement Budget, a cost not traditionally counted under the “peacekeeping” rubric.

Conclusion

Canadians broadly support the use of the country’s armed forces in global peacekeeping missions as a distinctly Canadian contribution to international peace and security, and it is expected that peacekeeping will continue to constitute a significant activity for Canada into the next decade. But the sustained high operational tempo of Canadian peacekeeping comes with substantial hidden budgetary effects. Greater understanding of the full measure of this cost is required to assist defense planners and government decision-makers, both in Canada as elsewhere.

Notes

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1. DF (2005). On 2 March 2006, exchange rates were C\$1.13/US\$1.00 and C\$1.36/€1.00.
2. DND (2005a).
3. Peacekeeping is defined in a generic sense and includes peacekeeping, peacemaking, and peace support operations.
4. DND (2005b).
5. DND (2005c).
6. For a description of the peacekeeping cost estimate process, see Fetterly (2005).
7. DND (2005c).
8. Pollick (2006).
9. Henault (2003).

10. This section employs information and data from a presentation made to the Canadian Forces College, *2004 Air Symposium*, on 9 March 2004. The presentation was written by Lt. Col. Scott Clancy, Maj. Brad Coates, Lt. Col. Ross Fetterly, Lt. Col. Robert Emond, Maj. Chantal Cloutier, Maj. Francois Laboissonniere, Maj. Hélène Couture, and Maj. Carl Doyon.

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Appendix

Full and incremental cost of Canadian peacekeeping deployments, 1989/90-2004/5 (in C\$ million)

Fiscal year	Europe		Asia		Middle East		Africa		Americas	
	Full	Incr.	Full	Incr.	Full	Incr.	Full	Incr.	Full	Incr.
1989-90					43.9	13.1	28.2	9.5		
1990-91			0.4	0.1	46.8	14.3	0.6	0.6	20.8	6.4
1991-92	6.1	1.0	5.5	3.1	754.2	152.4	3.3	1.3	4.5	1.2
1992-93	288.0	101.0	23.1	4.0	92.8	25.0	236.9	124.5	2.8	0.9
1993-94	517.0	166.0	16.0	7.0	48.0	11.0	81.0	44.0	36.0	3.0
1994-95	529.0	143.0	2.0	1.0	30.0	7.0	123.0	53.0	54.0	7.0
1995-96	519.0	176.0	2.0	0.0	56.0	9.0	26.0	13.0	94.0	20.0
1996-97	252.6	76.2	1.4	0.4	46.8	8.4	41.1	15.1	153.0	47.0
1997-98	290.2	92.7	1.0	0.3	88.9	12.8			101.9	32.5
1998-99	501.7	119.7	1.0	0.3	83.7	12.8	16.7	2.8	36.4	13.3
1999-00	1,189.8	340.0	126.9	33.1	77.5	12.0	21.4	3.2	2.5	1.9
2000-01	759.2	220.0	2.8	2.0	99.9	15.7	62.5	28.5	0.2	0.1
2001-02	472.6	169.7	589.6	190.8	74.0	12.7	44.8	18.8		
2002-03	474.0	181.3	709.1	233.6	34.4	9.3	6.9	1.4		
2003-04	473.1	180.8	1,167.4	625.9	34.6	9.5	10.5	4.7	19.0	9.0
<u>2004-05</u>	<u>164.5</u>	<u>49.4</u>	<u>640.7</u>	<u>313.9</u>	<u>28.6</u>	<u>4.0</u>	<u>6.5</u>	<u>1.2</u>	<u>86.9</u>	<u>27.8</u>
Total	6,436.8	2,016.8	3,288.9	1,415.5	1,640.1	329.0	709.4	321.6	612.0	170.1

Source: DND (2005c).

Notes: "Full" cost is the cost to DND for the operation. Included in this cost are civilian and military wages/overtime/allowances, full costs for petroleum, oils and lubricants, spares, contracted repair and overhaul as well as depreciation and attrition for all equipment involved. "Incremental" cost is the cost to DND which is over and above the amount that would have been spent for personnel and equipment if they had not been deployed on the task. It is derived from the "full" cost by subtracting wages, equipment depreciation, attrition, and other costs that otherwise would have been spent on exercises or absorbed as part of normal activities.

The business of land-mine clearing

Bob French

Considering that some eighty countries have a problem with land mines, and observing the consequential effects on their economies, the amount of money available for the task of clearance is miserly. Depending on the country, terrain, climate, commercial clearance, and Non-Governmental Organization (NGO) involved, costs to clear mines can vary from US\$2 to US\$39 per square meter. As an example of the size of the problem, Bosnia-Herzegovina has over 18,000 minefields mapped, with probably the same again not yet mapped. The mapped area represents approximately 3,000 square kilometers of contamination of which around 1,000 square kilometers is good agricultural land. In 2002, four square kilometers were actually cleared. There are those who will claim that more land was released because of the clearance done but in terms of the amount of land contaminated the results are pitiful. The reason? A lack of proper funding and the non-development of a market in demining activities, which would encourage investors.

The land mine

Mines have been around nearly as long as gunpowder, but modern land mines were developed in World War I to counter the advent of the tank. Antitank mines were used against this then-new, unstoppable weapon. However, the mines could be moved with reasonable ease and used against the tanks of the people who first laid them. To prevent this, small “antipersonnel” mines were placed around the antitank mines to catch demining engineers when carrying out clearance operations. It was noticed that if the explosion resulted in a badly wounded man it took medics, stretcher-bearers, doctors, nurses, and a large part of the enemy’s time and effort to look after the victim. And if the mine killed, then the body could be ignored and dealt with at a later date. This led to a smaller and cheaper mine design with less explosive. To counteract these new antipersonnel weapons, mine detection equipment was developed. This detected the metal from which the mines were made, located them, and allowed them to be dealt with. To overcome this countermeasure, a minimal metal mine was designed using a wooden case. These mines would deteriorate over time, as their cases were eaten by termites or just rotted away. The explosive, left behind, was still fitted with a detonator but the mines were less likely to explode if disturbed.

Further attempts to make detection difficult introduced mines with wax paper bodies, and today we have the plastic mine. Further development has changed the mine from a simple pressure-activated blast mine to mines which are remotely

detonated or operate by trip wires, and mines which jump up to stomach height before firing shrapnel in all directions. In the Balkans, this type of mine kills more demining personnel than any other type. Simple shrapnel

mines can be made at the kitchen sink and can be found throughout countries with mine contamination efforts. More sophisticated mines spread from helicopters or aircraft are self-righting and sit waiting to fire missiles at vehicles as they detect them. There are also mines having speech recognition capabilities, selectively detonating when hearing an enemy speak. Today, over 300 types of mine kill, wound, and adversely affect hundreds of thousands of people yearly.

There are also mines having speech recognition capabilities, selectively detonating when hearing an enemy speak.

Uses and problems on the ground

Antipersonnel mines are used for various reasons and situations. They are used by the military as a “force multiplier.” Situated properly, a minefield can cause an enemy to take a certain path reducing the number of troops needed to defend an area. Troops use them as “silent sentries,” allowing them to get rest. A quote from an interview with a soldier by a United Nations investigator reads: “Once fighting starts, mines are part of my personal insurance policy. They watch my back when I am exposed, they take the bite out of a surprise attack on my position, and they let me sleep at night. The only problem is the other side has them too – down at our level everyone needs insurance.” Insurgents and guerrilla forces use them as a terror weapon to extort money by the threat of laying mines. They are put around houses to prevent populations returning after they have been forcibly moved. During civil wars or guerrilla activities, mines are put down indiscriminately without records of where they are laid, their types, or how many there are; this has applied to western armies operating outside of America or Europe. They are also used by governments to move populations out of an area or stop them moving into an area.

Minefields are easily laid: it is a matter of minutes to scatter antipersonnel mines over a large area. Tossed from an aircraft or helicopter, fired from mortars or artillery, it takes little time or effort. The hand setting of mines and booby traps has become a military art, not only to kill the unwary enemy but also to outwit the enemy’s demining engineers. Unfortunately, after conflict, with little accurate information on the type, numbers, and whereabouts of the mines, the clearance becomes extremely hazardous, resulting in the killing and maiming of demining personnel.

Today’s land mine problem usually follows a path of war, cease fire, more war,

and more cease fires. Mines that have been laid are not mapped, and the person who has laid them has often been killed or left the country when peace finally comes. Take Angola as a fairly typical example to see how the resultant devastation carries on after the last shot is fired. After decades of war, a cease fire agreement was finally signed; the two factions of the government and UNITA decided enough was enough. The major problem of land mines and the debris of war will need considerable funding to rectify. International interest is essential if Angola is to get back on its feet again; having considerable mineral wealth may help.

Estimates of the number of land mines vary from two million to ten million, with the United Nations estimating seven million. The number of mines is irrelevant if a mine is in your back yard. The problem comes when mines are suspected in an area, but no one is sure where or how many. This can tie up large areas of land and take up inordinate amounts of time and money, resulting in loss of income from farming or industry, injuries to people and animals, and reduction in trade and commerce until an area is declared safe. The most contaminated areas also tend to be the highest populated ones. The cities of Huambo and Bie, in Angola, are highly contaminated, and contamination in the provinces causes major disruption in trade and population movement. Farming, in some areas, has come to a halt. Mines are seriously affecting the agro-economy and, with it, any hope of socio-economic growth. Incidents of mine accidents and deaths are reported on a regular basis. The number of deaths and accidents to both human and animals will probably never be known. As in most African and Asian countries, mine casualties are caused when people are carrying out everyday tasks such as farming, collecting firewood for cooking, or traveling on roads or paths which they have trodden for years. Information about land mine incidents is hampered by lack of good communications and adequate funding.

Three young girls walked in a field of flowers. One set off a shrapnel mine. Two girls died instantly. The third, severely injured, cried out for her mother. It took six hours for a demining team to secure a path to the girl – she died on the way to the hospital.

off the wall to his house, it exploded. He lost both hands and had his sight impaired. A mine incident not only affects the injured. Families can lose the breadwinner, other members of the family are traumatized, as can be the

professionals involved. Also in Bosnia, three young girls went for a walk in a field of flowers. One set off a shrapnel mine. Two of the girls died instantly, while the third lay seriously injured, crying out for her mother. It took six hours for the demining team to work their way across the field, ensuring a cleared path in and out for the medics. The girl died on the way to hospital. Members of the demining team were distraught: they could hear the girl moaning as they worked as quickly as they dared to get to her. The three families and close friends were obviously affected, as were the medics who had waited six hours before being able to try and save her. From 1996 to 1999, US\$6 million were given to the Mine Action Program in Angola. But throughout the world, donations are being reduced as rich countries suffer from donor fatigue and the political kudos from supporting Mine Action Program become less high-profile. This can be seen from the increased support for Iraq, which is in the news, and the reduction of support in Bosnia, Kosovo, Burundi, and other countries that are “not-so-newsworthy” anymore.

The Ottawa convention

Many people believe that land mines have been banned and therefore do not exist any more. This impression has been brought about by the publicity given to the Ottawa Convention to ban land mines. The Convention hoped to ban the manufacture and use of antipersonnel mines with signatories removing all such mines from within their borders within ten years of signing. The Ottawa Convention banning anti-personnel land mines entered into force on 1 March 1999. A year later, 139 countries had signed the Convention, 110 of which had ratified, but 54 states remain outside the treaty. Significantly, most of these are the main manufacturers and users of the devices. The effectiveness of the ban has been undermined by the failure of the United States to sign. In the recent conflict in Iraq, the United States stockpiled some 90,000 antipersonnel mines in the Gulf even before the conflict started. Many other countries are still holding, using, or manufacturing antipersonnel mines, including big players such as China and Russia. It is not only antipersonnel mines which present a menace after conflict. The use of cluster bombs present a real and present hazard as many such devices fail to explode on landing but detonate when moved or are wind-blown from trees and hedges.

Generally, demining activities are carried out by volunteer NGOs, commercial enterprises, and a small amount of military clearance. Demining organizations rely upon donations or contracts from private funds, government grants, charities, the World Bank, and the United Nations. Private funds are given by individuals or groups of individuals and generally are to rectify a particular problem around a school or housing. Demining includes the removal of unexploded ordnance (UXO) such as rifle grenades, mortar shells, artillery shells, and cluster weapons. In 2003,

the United Nations received US\$40,209,250 for this purpose. How much of this gets down to the actual demining activity is anybody's guess.

The demining work

Demining is carried out manually, or with dogs or machines. Manual demining is by far the most common method used but is usually combined with one or both of the other systems. Manual deminers are, for the most part, ex-military personnel who find it difficult to secure other employment after conflict has finished. In some countries due to the post-conflict lack of men, women are trained to become deminers. The training is the same for everyone and is carried out in special training facilities set up by NGOs, commercial demining companies, and the United Nations. When conflict is over, and a country is stabilized, it will set up its own training schools under the supervision of in-country "Mine Action Centers." A demining course takes approximately six weeks, followed by an apprentice time of close supervision in the field. For dogs, the training takes many months, and this only after careful selection. Dogs have limitations in that they cannot work when it is too hot, too wet, or where there is a large concentration of explosive material. They also have their off days, making empathy with the handler most important. Some countries put more faith in dogs than others. Basically, it comes down to training, the handler/dog relationship, and in-country attitude to dogs.

Manual demining is slow, boring, and hazardous. In many cases, where there is dense vegetation, this will have to be cut by hand. The demining process consists of clearing lanes one meter wide. To limit damage in the event of an accident, these lanes are approximately 35 meters apart. At the start of a lane two sticks, painted red and approximately one meter in length are stuck vertically in the ground one meter apart. Two smaller sticks are placed 20 centimeters on the outside of each of the two tall sticks. If vegetation has to be cleared, a stiff piece of wire, such as that from a coat hanger, is pushed carefully into the vegetation and lifted gently to see if there are any trip wires present. This is done several times across the width and height of the lane vegetation. After this is done the vegetation investigated is cut with secateurs or a saw, down to around 50 millimeters. The area is then checked with a metal detector, in case the mines are minimal-metal. If there are a large number of metal fragments in the area, the metal detector will give many false alarms. If this is the case, then deminers have to resort to "prodding" the ground with a metal or plastic prod. Here a 25 millimeter square stick, and one meter and forty centimeters in length, is marked in 50 millimeter divisions on each face. The divisions are offset by 25 millimeters on consecutive faces. The stick is laid on the ground across the start of the path and the prod is pushed into the ground, by each mark in turn, at an angle of 30 degrees to a depth of 200 millimeters. The depth into which the stick can be pushed will depend on the

hardness of the ground. The danger is that pushing too hard could activate a mine. After pushing the prod into the ground against each mark on the stick, the stick is rotated one side forward and the process starts again. Each time the stick is rotated, the deminer moves forward 25 millimeters. At the vegetation line he must start the whole process again. It can be seen that in an area where there may or may not be mines, if the deminer has been weeks without finding a mine, boredom sets in and accidents can occur.

Demining with dogs is also used. Many factors influence their efficiency. A common way is to divide a field into boxes by manually clearing meter-wide safety lanes around each box. The boxes can be of different sizes but 10 meters by 25 meters gives an idea. Provided that the vegetation is not too thick, say tall grass and not dense shrubbery, the dogs are sent up and down one-meter wide lanes within the box. If they indicate that they have smelt a mine, they sit. The dog handler marks the place where the dog sat and shouts "mine." The dog is taken off the area and rewarded, while the mine is pinpointed and dealt with by the stick-poking method. After dealing with the mine, the procedure is restarted. During the time the mine is being dealt with, all other demining stops for safety reasons. Where there is dense vegetation and the terrain is suitable, a flail machine can be used to get rid of the growth, bringing the vegetation down to a level in which the dogs can be used. If the flail sets off mines, some time may be needed before the dogs can be put back to work as the explosives from the mine will have contaminated the area and this is likely to confuse the dogs. If the ground is too wet or the temperature is too hot, the dogs become less efficient.

Machines have been used by the military for minefield breaching. Here they want to get troops and transport across a minefield as quickly as they can. No consideration is given to the natural environment, and a certain level of casualties is deemed acceptable. In post-conflict clearance, the aim has to be for zero casualties on land that is declared clear. After conflict, mine clearance has tried to adapt military machines for their purposes. The "flail system," which comprises a rotating cylinder with chains fitted along its length, moves across a minefield, flailing the ground and setting off the mines. This is the most commonly used type of machine as it has been around the longest and is the most simple to produce. Unfortunately, these machines are not 100 percent effective, often leaving broken mines with detonators intact, or throwing mines onto cleared areas, or altogether missing smaller antipersonnel mines. Delicate soils do not take kindly to being beaten by chains and can become infertile through impaction or soil breakdown. Other methods used are rollers which also tend to miss small modern antipersonnel mines, and mine-ploughs which push the soil and mines away from the desired track such that the mines are now in a mix of subsoil and topsoil and can lay at any angle or depth, making demining extremely hazardous. Other military methods for minefield breaching are used, but none are suitable for post-conflict clearance.

Today, some specially designed machines are coming onto the market but with little support from government and, in a difficult market, these are few and far between.

Prospects

The Ottawa signatories agreed to remove all land mines within their borders within ten years. With current funding and methods, it is outlandish to believe this is possible. The quickest short-term solution is to increase the use of mechanical methods where possible, properly fund current efforts, and increase funding available for research and development, carefully looking at which projects will bring the fastest results. A project that will find an answer in twenty year's time is not proper use of funding. If a bulldozer and bucket can clear a mine problem in a certain area or an adaptation of existing machinery can produce results, then this is where the money would be best spent. If an area of 100,000 square meters is suspected of contamination with mines, then methods of "area reduction" should be used. Any suitable machine could be put over the ground, locating where the mines are, thus reducing the area that needs to be searched in detail. Thereafter, more secure methods can be employed to clear the newly defined area. This would speed up clearance considerably and give the donors a better return, in square meters cleared, for their dollar. Innovation and manufacturing of equipment needs to be encouraged by the international community. Rules, regulations, and compulsory testing of equipment should be designed to encourage business to invest in new ideas and not form financial barriers. Such requirements should be funded and not imposed. The need to increase the rate at which these weapons of mass destruction are removed, and this blight on humanity got rid of, is incumbent on all of us.

Note

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The “No Dirty Gold” campaign: what economists can learn from and contribute to corporate campaigns

John Tepper Marlin

Academic economists have had a great impact on actors in financial marketplaces: the Black-Scholes options-pricing model for instance spawned an industry on Wall Street. But economists have had trouble in recent years affecting issues of war and peace, even though since Adam Smith many economists have stressed the destructive and wasteful nature of wars. Recent United States military decisions appear to have been made either independently of economic analysis or with such analysis buttressing plans to invade countries with valuable natural resources.

Economists can increase their policy impact by studying successful NGO campaigns against corporate actors.

Economists had more input during the Cold War, when issues relating to missiles and missile defense were openly debated. The enemy was clear and the issue was how best to respond to

threats. But now U.S. military expenditure is growing to wage wars in questionable places against amorphous foes. The rationale given for invading Iraq was as a response to the terror attack of 11 September 2001, perpetrators of which were largely Saudi nationals – evidence of Iraqi involvement is still hard to find.

My thesis is that economists can have more impact by studying NGOs successfully working on corporate campaigns for higher environmental or labor standards. The “No Dirty Gold” (NDG) campaign may offer a model for economists.

The “No Dirty Gold” campaign and the jewelry industry response

The “No Dirty Gold” campaign is jointly sponsored by OxfamAmerica and Earthworks.¹ The campaign began in 2004 and showed renewed life in the first half of 2006. The NDG campaign targets are clear and visible: corporations with known brand names. The army on the NDG side is made up of jewelry consumers. By early 2006, NDG had accumulated 50,000 pledges from consumers forswearing purchase of gold jewelry from any retailers who do not subscribe to the NDG “Golden Rules” relating to the source of their gold.

In February 2006, major jewelry retailers companies signed on to the Golden Rules. The first to sign was Tiffany & Co. The others were Zale, the Signet Group

(parent of Sterling and Kay Jewelers), Helzberg Diamonds, Fortunoff, Cartier, Piaget, and Van Cleef & Arpels. These represented, in February 2006, a market share of 14 percent of U.S. jewelry sales, mostly on the luxury end of the retail jewelry marketplace and in middle-market sales in shopping malls. By May 2006, three more retailers had joined, Turning Point, Fred Meyer Jewelers, and Michaels Jewelers.

NDG has succeeded in bringing on board virtually all of the upscale brand names in the jewelry business and, according to the NDG campaign in June 2006, several other large retailers are engaged in a promising dialog with NDG: Wal-Mart, QVC, and Whitehall. Non-signing jewelry-selling holdouts that are not engaged in such a dialog are: (1) mass-market generic vendors J. C. Penney and Sears/KMart, and (2) Rolex and (surprisingly, given the company’s potential vulnerability to a student campaign during the coming year) Jostens, which supplies jewelry to school and college students.

Signatory retailers have made it clear they expect to use their influence with mining companies and that (1) they feel morally obliged to respond, (2) as businesses they have a pragmatic need to protect their reputations, and (3) the extent to which they will be effective depended on NDG keeping up the pressure from jewelry consumers. Michael J. Kowalski, Tiffany’s Chairman and CEO, said he understands that the heavy lifting was still to be done: “What does indeed constitute a responsible mining operation? Who’s there at the moment, and how do we get to where we need to be? The critical next step is reaching a substantive agreement on those questions.”²

The practical outcome of corporate support for the NDG campaign is the Council for Responsible Jewellery Practices (CRJP),³ which as of April 2006 had 43 members including the eight previously cited retailers, seven industry associations, six gold/diamond mines, and 22 refining, manufacturing, trading, and wholesaling organizations. The CRJP was created to “promote responsible practices relating to business ethics, social, human rights and environmental performance throughout the diamond and gold jewellery supply chain from mine to retail.”

The CRJP has been funded by its members at a level adequate to hire two competent staff members from the NGO community. A Code of Practices has been created specifying the expectations for gold mining practices (both environmental and worker-related), and the CRJP is on track to having a significant effect. The specific social and environmental standards that CRJP decides that gold producers should work toward and eventually implement have not yet been developed. The quality of these standards will determine whether or not they address the concerns of the NDG campaign.

The heart of the NDG campaign: pulling the supply chain

It is too early to break out the champagne and announce that the NDG campaign has achieved its environment and labor goals. It is an open question how carefully the CRJP Code will be audited and enforced. But the jewelry industry has moved remarkably quickly to respond to issues that have been raised by NGOs and explicitly credits the NDG campaign as its motivating driver.

Can economic concepts help explain why the NDG campaign took root so quickly? Can this analysis in turn provide insights to economists to help them address broader issues of influencing issues of war and peace?

Prior experience in the industry

Every campaign is path-dependent, following in the footsteps of campaigns that have come before. Jewelry retailers were the targets starting on Valentine’s Day 2001 of a previous campaign sponsored by Physicians for Human Rights,⁴ Oxfam America, and 71 other NGOs against “blood” or “conflict” diamonds being used to finance civil wars in Sierra Leone and Angola. The clean diamonds campaign led to the Kimberley Process for identifying such diamonds, and this was effective in breaking links between the such diamonds and major jewelry retailers.⁵ Unintended outcomes include an increase in the oligopolistic power of large diamond merchants operating in Africa and a shift of diamond-buying out of Africa to other continents. Retailers’ response to this issue may also have been relatively easy, since conflict diamonds involve only about 4 percent (according to an industry spokesman) of diamonds coming on the market each year. Having a prior victory with this constituency provided some momentum for the NDG campaign, which raises more widely prevalent issues with the industry.

The clout of buying power down the supply chain

Wal-Mart has become the world’s biggest company by using its buying power to bring down costs to the consumer. This demonstrates the influence that buyers can bring to bear on the way that goods and services are provided. The fact that wages and benefits for most of its own workers has been big part of Wal-Mart’s cost-cutting is a reason for a new campaign targeted against it. It remains to be seen how responsive consumers will be to a campaign against a company that has swept the field as the lowest-cost retailer, but management in Bentonville has responded by recently switching PR agencies, talking with NGOs, and launching several new environmental initiatives. If NDG activists are able to get Wal-Mart’s attention, they should find it a lot easier to get the attention of less price-competitive retailers.

The vulnerability of brands

A consumer brand is more vulnerable to buying power than a generic product. It costs money to advertise the brand, and this cost must be recouped in the price. For example, in Europe, where the banana industry is protected, brands make a big difference; in the United States the brand of banana matters much less. Europeans will choose one brand of banana over another based on perceived environmental differences, and Chiquita bananas are preferred. Therefore Chiquita is attaching its environmentally conscious frog – courtesy of a Rainforest Alliance certification – to its labels in Europe, but not in the United States, where bananas are more of a generic commodity.⁶ One can say that European environmental consciousness is a main driver of Chiquita’s compliance with environmental standards on its farms and on the farms of its suppliers. The jewelry industry is composed of high-cost, luxury brands that have invested heavily in their reputations. With the price of gold substantially higher in 2006 than 2005, gold jewelry is even more of a luxury. Jewelry retailers and their suppliers cannot afford to take chances with being tarred by an activist campaign.

The commitment of “Bitten Brands”

Once bitten, twice shy. When a brand has been “bitten” by consumer activists, the brand’s managers often take up the cause with the zeal of a new convert. Gap Inc. was “bitten” by anti-sweatshop activists who paraded naked around the company’s headquarters in San Francisco to show that they would rather wear nothing at all than clothes made in a sweatshop. The distinguished family that started Gap Inc. became anguished and embarked on a uniquely aggressive anti-sweatshop initiative.⁷ The company was an early leader in seeking compliance with the SA 8000 labor standard and in issuing a detailed report on the progress toward compliance of its suppliers.⁸ As of mid-2006, the corporate responsibility function at Gap Inc. was headed by a Senior Vice President with a staff under his direction of more than 90 people. In the jewelry industry, the leading brands were given enough taste of small bites by the conflict diamonds campaign that they do not wish to risk a big bite from the NDG campaign. As a New York City-based jewelry company spokesman said in the spring of 2006: “We have seen the economic impact on the fur industry of animal activists spray-painting wearers of furs. We don’t want to risk this kind of thing happening to us.”

Industrial structure and countervailing power

To borrow a term from the late, great John Kenneth Galbraith, in some industries the targets of activist campaigns have “countervailing power” to exercise in the

face of intransigent local operators. This power is more easily exercised when a powerful supplier must face competition from elsewhere in the world. The extractive industries – mining and drilling – are the most vivid examples because they require large investments, and the corporate investors are tied to the land in ways that banana producers are not (banana growing needs sunshine and water as well as land, but many parts of the world meet these requirements). Mining and oil drilling differ in their corporate structures. Although wildcat drillers continue to survive, much of global oil industry is vertically integrated. The ExxonMobil that sells us oil at a local gas station is the same ExxonMobil that operates oil wells and refinery operations. In contrast, in the case of gold mining, retailers and mines are largely separate activities. Freeport McMoRan and Newmont Mining dig for minerals mostly in remote areas of Indonesia, Africa, and Latin America with no stores on Fifth Avenue or Main Street. Conversely, Tiffany & Co. and Cartier do not operate any gold mines. As has been shown in the apparel, footwear, and toy industries, consumer activists are best able to put pressure on retailers, and to use them to change the ways of suppliers.

Special reasons for the success of the NDG campaign

Easily articulated and visualized issues

The conflict diamonds issue was easily visualized as having victims among combatants in civil wars, but the connection to the consumer was harder to articulate because of the circuitous supply chain. The environmental and social problems related to gold mining are easy to describe and to show with photographs and videos. NDG activists are making prominent use of the statistic that 20 tons of mining waste are required to produce one gold ring.

The backdrop of higher gold prices

Another economic factor weighing on the minds of the jewelry industry is that gold as a commodity is a focus of speculators. The price of gold was US\$620/ounce in early June 2006, a hefty increase over the US\$425 price a year earlier.⁹ The continuing twin U.S. trade and budget deficits and Fed Chairman Ben Bernanke’s expressed worries about core inflation have put pressure on the dollar and that is associated with speculative and panicky buying of gold, especially in Asian countries with large dollar inflows like India and China. What this means for the gold jewelry industry is that it must raise the prices of its products, creating sticker shock for customers. Other precious metals, in their roles both as complements to and substitutes for gold, are also affected. In a climate of rising prices, the NDG campaign could provide a deontological rationale for consumers to avoid buying

gold jewelry (although the NDG has explicitly not called for such a boycott) when the real reason might be that the jewelry seems overpriced by historical standards.

The synergy of corporate campaigns

The NDG campaign supports, and is supported by, parallel corporate campaigns. For example, New Orleans-based Freeport McMoRan is defending US\$35 million in payments by its Indonesian mine to government military personnel for security purposes.¹⁰ This is the subject of a long-running proxy campaign against Freeport by the New York City Comptroller’s Office on behalf of New York City employee pension funds.¹¹ Rio Tinto is a 40 percent shareholder in Freeport and has agreed to join the CRJP.¹² For Rio Tinto to remain in compliance with the CRJP draft code of practices Business Ethics Code 3.1.3, it must address the issue of bribery and gifts: “In all business transactions that are carried out by them, or on their behalf, by business associates or contractors, members will prohibit bribery in any form. They will not offer, accept or countenance any payments, gifts in kind, hospitality, expenses or promises as such that may compromise the principles of fair competition or constitute an attempt to obtain or retain business for or with, or direct business to, any person; to influence the course of the business or governmental decision-making process.”

Overall: why the NDG campaign is working

The NDG campaign has linked a real problem – the labor and environmental problems of gold mines – with an industry group that is vulnerable to a consumer campaign. It is operating in a market environment in which the

The “No Dirty Gold” campaign has linked a real problem with an industry group that is vulnerable to a consumer campaign.

gold jewelry industry must raise prices and has reason to fear a consumer backlash against these prices. It is led by two NGOs, Oxfam America and Earthworks, that know how to reach consumers. The campaign has shown flashes of brilliance and savvy (for example, on www.responsiblejewellery.org one gets to the NDG campaign with an attractive home page and a place to sign the petition).¹³ It is supported by parallel campaigns. This sophisticated campaign offers the jewelry industry carrots while the sticks are in plain sight.

What economists can learn from the NDG campaign

In their work environment, economists with a policy orientation typically defer to

politicians and senior executives. Economists apply their tools where they can and come up with options for the politicians and executives for whom they work. (Some cross the line and become these politicians and executives.) The strength of NGOs is that they can continue to press their arguments in the public arena regardless of the official positions of elected officials and corporate executives, so long as the NGOs have a base of support.

Staff and academic economists tend to be agnostic when issues are posed politically in ways that do not lend themselves to quantification. The invasion of Iraq was predicated on Saddam Hussein possessing Weapons of Mass Destruction, a claim later shown to be unsubstantiated. On the whole, economists had little to say on that topic.¹⁴

It would be different if the issue were raised in a way that economists are used to answering. If the U.S. President had asked: “How much money should the United States be prepared to spend on a war in Iraq?” then economists could bring out their tools, such as analysis of costs, of the kind ably done by economics Nobel-Laureate Joseph Stiglitz and others. Part of the problem with the Iraq war is that it is being paid for with a series of debt-financed supplemental appropriations averaging about US\$100 billion per year (including continuing costs in Afghanistan) that is not subject to the normal congressional scrutiny. Only the routine Pentagon budget set to reach US\$440 in FY 2007 is subject to scrutiny.

Economists seeking a peace dividend might find the NDG campaign useful because polls show growing questions about the war in Iraq:

- < Is it contributing to peace and security?
- < How long should the United States remain in the midst of what has become a civil war?
- < Are the human and public costs of the war justified by the benefits?

A recent article by leaders of MIT’s Security Studies Program is frank: “The dirty secret of American security politics is that we are safe.” To fill the vacuum of a credible opponent on the world scene, the architects of current U.S. military expenditure must rely on an undefined enemy that the MIT professors call “You Never Know.” They argue that “You Never Knowism is the guiding ethos of U.S. national security. National security planning documents ... claim that the simple Soviet threat has been replaced by more various and irrational ones ... with no particular foe in mind.”¹⁵

Most corporations have a natural interest in peacekeeping and peacemaking: it’s better for business.

Most corporations have a natural interest in peacekeeping and peacemaking. Wars interfere with trade and tourism. Business executives are like everyone else

in preferring not to be shot at while they are going about their work, a fact amply illustrated by the flight of corporations from New York City when crime seemed to be out of control.

More important, corporate executives are aware of opportunity costs. The money being spent in Iraq could pay for a universal health care program, alleviating the heavy burden on corporations of employee health care costs that has contributed to the decline of the U.S. automotive industry and other manufacturing. Or it could be spent on improving public education, raising the skill levels of the next generation of American workers.

The likely exceptions to the general rule that business prefers peace are the following kinds of companies:

- < Companies that sell arms to the United States government, what President Eisenhower called the “military-industrial complex,” or to other countries.
- < Companies that contract for rebuilding areas that have been destroyed.
- < Companies with a heavy investment in natural resources that is threatened by political developments in the country where the resources are located.

The first two kinds of companies tend to be remote from the consumer, although some large companies like GE have both military and consumer divisions. The major companies of the third kind are in mining and oil. To follow the example of the NDG campaign, the leverage of retail companies might be required to influence other companies down the supply chain.

Companies that merely buy from developing countries or simply own or lease farmland are less likely nowadays than an extractive industry to be heavily invested in a single country. The production of bananas, for example, is now spread out over so many countries, and is so closely watched by consumers and politicians in developed countries, that today’s banana wars are primarily about quotas and standards.

The difference between agriculture and the extractive industries is that agriculture needs only a favorable climate and land, and small-scale production is possible. Manufacturing is even more mobile. The extractive industries are players in issues of war and peace because they are tied to the mineral resources of a region.

Historically, large corporations in developing countries have *contributed* to a climate for civil and international wars by collaborating with repressive regimes. For example, corporations in the extractive industries have provided huge financial support to repressive dictatorships and have hired security guards from the military establishments of such regimes.

Attempts have been made to identify the root causes of recent conflicts and to assess the influence of commercial interests. The U.S. State Department under

President Clinton drafted a report on the problem of persuading companies in the extractive industries to respect human rights and contribute to, rather than be an obstacle to, peacekeeping in developing countries.

What economists can contribute

Economists have something to offer NGOs. They can provide (a) guidance on strategy based on economic trends; (b) assistance in identifying possible negative outcomes and avoiding them; (c) guidance to donors seeking best use of their resources to sustain the planet; and (d) assistance to effective NGOs in making their case to donors. Economists can analyze the costs and benefits of potential and actual campaigns, the impact of campaigns, and their outcomes. Environmental economists have been working in this capacity at several NGOs. This type of analysis, applied to NGO activities, needs to be injected into business and economics courses and into the training of activists and corporate managers.

Focus on outcomes, not just victories

One danger of campaigning without regular attention to outcomes is that a campaign will be driven to “win” battles with corporations regardless of their impact on society. In this case, the outputs may look good, but the outcomes may be regrettable.

Avoid lose-lose or even win-lose outcomes

An extreme case of a lose-lose outcome is one where a company opposed to unionization of any of its facilities is persuaded by an NGO campaign to recognize a union and rehire any workers fired for organizing. This at first appears to be a win for labor and a loss for the company – but then the company decides to shut down the plant, store, or farm. The outcome is a pyrrhic victory, because workers lose jobs, the community economy sustains a substantial blow, and the company presumably loses market share and profit.

This kind of thing has happened several times in recent years. For example, an NGO launches a workers’ rights campaign against a brand and convinces the brand to put pressure on supplier factories to improve standards. The factory works hard to meet these standards, but the brand does not place any more orders. This is a win-lose situation, as workers are laid off. Or a factory is pressured by a brand to recognize a union but then the owners/managers shut the factory down, to reopen in another location where the organizers are weaker. Again, an apparent win, but a negative outcome. When a Wal-Mart retail store in Canada was successfully organized, it was then closed down by Wal-Mart. This decision is consistent with

past Wal-Mart behavior relative to unions. It appears to have been another poor outcome following a victory, but might be the basis of a larger battle with Wal-Mart in Canada.

Win-win outcomes: cost-benefit analysis

From society’s perspective, the optimum outcome would be one where the campaign wins by convincing a corporate or industry target to cooperate, and an agreement is put in place that satisfies both sides, including the other interested stakeholders.

Campaigns can influence companies more easily and sustainably by showing ways that the desired action could benefit the company. In general, stricter standards mean a larger gap between a typical company’s practices and the level of performance required by the standard. A larger gap, in turn, implies higher costs for coming into compliance. Typically factory managers resist working toward higher environmental or labor standards because of a fear of higher costs. Yet an economist can measure benefits and use a capital budgeting model to show that an investment in complying with higher standards can pay for itself over time by bringing the benefits of:

- < Greater acceptability of suppliers to vendors, and therefore more orders.
- < Improved reputation.
- < Lowered risk of accidents and therefore reduced insurance premiums.
- < Greater factory/farm system efficiency.
- < Greater worker productivity.
- < Improvement in product quality.
- < Better employee health, lower employer health costs, and
- < Reduced employee turnover and absenteeism.

In a situation where the benefits pay for the cost of compliance over a short period, businesses will replicate the experiment on their own, making this a scalable and sustainable strategy. The NGO is a catalyst for change with momentum.

Ideas for economists

The Association to Advance Collegiate Schools of Business, which accredits business schools, has created a new program – “Peace through Commerce” – to encourage business schools to promote peace.¹⁶ The belief that commerce and peace are mutually reinforcing was an idea advanced by British utilitarians and by Immanuel Kant. It was part of the rationale for the United Nations and the European Union – countries that trade tend not to go to war. The University of

Notre Dame, George Washington University, the University of Southern California, and Case Western Reserve University are planning conferences on peace through commerce in 2006. The Notre Dame conference planned for November 2006 has the support of the United Nations Global Compact Office, and U.N. Secretary-General Kofi Annan is scheduled as keynote speaker.

The world's foremost business school accreditation agency now sports a “Peace through Commerce” program.

A book to be published in September 2006 argues that the U.N. has fallen short on its peacekeeping and development goals because of inadequate support for it by corporations.

The book's author, Michael Hopkins, argues that corporate social responsibility in this area could have “prevented the Iraq war.” He says: “The relations between Halliburton, Bechtel, Carlyle and many other corporations in a CSR world would have been intensively examined ... [S]ocially irresponsible actions such as supporting war efforts for personal gain would have been stamped out.”¹⁷

The NDG campaign suggests a number of possibly fruitful avenues of study and action for economists interested in the connections between civil conflict and multinational corporations. First, consumer prices that have risen rapidly create a climate for campaigns around industries in which they are rising. For peace activists, wars are a credible explanation of higher oil prices. Oil is presently an essential product, but a campaign might be built around a particular brand. Second, consumers are responsive to campaigns that bring issues of morality to the marketplace. They are willing to modify their buying patterns if certain brands are associated with corporate behavior of which they disapprove and there are options. Are there industries or companies that appear to be contributing to or benefitting from wars? Is there a brand that could be singled out for a corporate campaign? Third, to launch an NDG-like campaign for peace, one would need to identify alternative brands or products to companies that do not sign on. If a campaign targets the entire oil industry, for example, it could focus on ethanol and other alternative energy sources *as a way of bringing peace*. This is one of the ways that Petrobras has justified Brazil's heavy and successful investment in what it calls “sugar alcohol” as a fuel for its cars. An alternative-fuels campaign might demonstrate how localities can encourage ethanol use.

A growing number of mechanisms are in place to monitor actual corporate practices and provide rewards to responsive corporations and industries, while maintaining pressure on the brands to require environmental and workplace standards from their suppliers. But a link is missing between accepted multi-stakeholder global standards for corporate environmental and social responsibility and the issue of global prevention and resolution of conflicts. This link could be made as follows:

- < Environmental standards like those of the Forest Stewardship Council are multi-stakeholder agreements about proper respect for land by corporations. Labor standards like SA 8000 are multi-stakeholder agreements about proper respect for workers by corporations. A multi-stakeholder standard for peace would build in respect for people who are minorities in a divided country.
- < Processes and techniques for coming to multi-stakeholder agreements have been developed by the Search for Common Ground, essentially based on communication and mutual understanding and respect.
- < Because of the way that the standards are put together, the outcomes of these multi-stakeholder standards are likely to contribute to peaceful resolutions of conflicts. It is a matter for factual determination whether this is in fact the case.
- < A new standard could be developed for a corporate program to train employees in developing countries in conflict prevention and resolution.

These are issues requiring both analysis and organization. It would be useful to review the outcomes of past campaigns (mining, small arms, landmines, sweatshops, agriculture, and so on) to generate an objective assessment of their successes and failures, then analyze the characteristics of the more successful and less successful campaigns. It would also be helpful to consider the applicability of such a campaign to the avoidance of war. Such a campaign was successfully undertaken in the early 1970s by Another Mother for Peace against several consumer product companies that made parts for anti-personnel weapons.

Conclusions and recommendations

The NDG campaign has had rapid successes in bring jewelry retailers on board, suggesting that Oxfam America and Earthworks have tapped into a mother lode of influence by appealing to companies that depend on consumers. This article offers two main conclusions. First, a corporate campaign is likely to be more successful if a target industry or company has valuable brand names to protect and sells a non-essential product in a marketplace where alternatives are available. Second, economists can contribute to the success of such a campaign by using their analytical tools to raise the media profile of a corporate campaign, to reach large numbers of consumers, and to work effectively with corporations that are responsive to the issues raised in the campaign.

Can such a corporate campaign be conducted on behalf of peace? World peace through commerce is not a new slogan, but it is a timely one. Economists could support such a campaign by showing where U.S. foreign and military policies in the last few years have not been in the interest of most corporations or consumers. Economists might also suggest how a large private capital fund for world peace could be targeted.

Notes

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1. See www.nodirtygold.org, www.oxfamamerica.org, and www.earthworksaction.org [accessed 11 June 2006].
2. Johnson (2006).
3. See www.responsiblejewellery.com [accessed 12 June 2006].
4. See www.phrusa.org [accessed 12 June 2006].
5. On “blood” diamonds and the Kimberly Process, see Gold (2006), in volume 1, no. 1 of this journal [www.epsjournal.org.uk].
6. Rainforest Alliance: see www.ra.org [accessed 14 June 2006].
7. See www.gapinc.com [accessed 14 June 2006].
8. See www.sa8000.org [accessed 14 June 2006].
9. See www.gold.org [accessed 10 June 2006].
10. For Freeport McMoRan, see www.fcx.com [accessed 14 June 2006].
11. See www.comptroller.nyc.gov [accessed 14 June 2006].
12. See www.riotinto.com [accessed 14 June 2006].
13. See www.responsiblejewellery.org [accessed 10 June 2006].
14. An exception was Economists for Peace and Security (www.epsusa.org) [accessed 14 June 2006].
15. Friedman and Sapolsky (2006).
16. See www.aacsb.org [accessed 12 June 2006]. Also see Wessel (2006).
17. Hopkins (2006).

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Books received

Bjørn Møller

With this issue, *The EPS Journal* introduces a new feature, a book review section. Handled via the journal's web site, the section is continually updated and devoted to economic aspects of conflict, war, and peace. The web site contains *book reviews* (500-1,000 words), *book notes* (<500 words), and a list of books available for review. The first list of books is listed hereunder. Starred items have already been reviewed, and the reviews are available online. Readers are invited to suggest works for review and to volunteer as reviewers. To do so, please contact me at reviewseeditor@epsjournal.org.uk. We also wish to publish *review articles* (~3,000 words), especially of particularly noteworthy new books or of comparative reviews of books related to a common theme or topic. If you wish to contribute a review of this sort, please contact me directly as well.

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