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Introduction

'Economic initiatives' have become a fashionable tool for resolving armed conflicts. For example, it is now common to hear in policy circles – not least within the British government – that if people can be given 'an economic stake in their own future', then the costs of a turn or return to violence will be sufficiently high that violence will become much less likely. More generally, many have come to believe that economic initiatives (broadly, sanctions or the threat of sanctions, aid, investment and favourable trading arrangements, or the promise of these) can provide effective incentives for giving up – or abstaining from – violence. This paper is intended to give a sense of some of the potential, problems and dilemmas that surround the use of economic initiatives.

It is argued here that various kinds of economic initiatives do indeed have an important role to play and that giving people an 'economic stake' can indeed have a significant and helpful impact. At the same time, the paper stresses that it is crucial to understand – and engage with – what are often very complex political processes if the application of economic tools is to have any chance of success. Short-term economic interventions are unlikely to tackle the deep-rooted causes of armed conflicts and may simply 'paper over the cracks'. Moreover, in the absence of robust political and context-specific analysis, economic initiatives can easily exacerbate conflict and reinforce abuse. To guard against these problems, we need a 'political economy' analysis that is political as well as economic. As part of this argument, we look in some detail at two reports that have been influential in promoting the idea that economic initiatives can contribute powerfully to conflict resolution: first, the Portland Trust report 'Economics in Peacemaking: Lessons from Northern Ireland' (May 2007); and second, the Balls/Cunliffe report 'Economic Aspects of Peace in the Middle East' (September 2007), which deals with the Israel/Palestine issue.

The Growing Popularity of Economic Initiatives

At least five factors appear to have encouraged the emergence of economic initiatives as a key policy tool in conflict resolution and prevention.

The first factor would seem to be the increasing prominence of political economy and 'greed' analysis in the world of academia, international financial institutions and policy think-tanks.[1] In recent years, work on the political economy of war has become influential – in particular, there has been a growing interest in war's beneficiaries and how the incentives for making war might be reduced. The first strand of such work to emerge was qualitative in nature and exhibited considerable interest in the political dimensions of contemporary crises as well as

[1] Particularly influential here have been the International Peace Academy in New York and the World Bank.

the economic dimensions (Duffield 1994, 2001; De Waal 1994, 1997; Ellis, 1999; Kaldor 1998; Reno 1995; Keen 1991, 1998). Beginning in the late 1990s, this was supplemented by some influential econometric analysis, notably under the leadership of Paul Collier at the World Bank (Collier 2000). These quantitative researchers took ‘political economy’ in a very economic direction (notably in the emphasis on ‘greed’, and later ‘feasibility’ (Collier et al. 2006), as the key driving force in contemporary conflicts). Both the qualitative and the quantitative strands of work have fed into the popularity of attempts to rein in war economies, including the Kimberley Process and the various UN ‘panel of experts’ reports on conflicts in Africa.

A second factor helping to make economic initiatives more popular was a sense that, with the Cold War ebbing away and socialism increasingly out of favour, political grievances – and ideological motivations more generally – were now becoming less important in driving conflict than material motivations. Naturally, this historical trend fed into the emerging academic literatures described above.

A third factor would seem to be a degree of disillusionment with more military approaches. The extended conflicts following US-led interventions in Afghanistan and Iraq have convinced many people that military action does not provide (and may actively impede) solutions to longer-term political and developmental problems. Even before the military responses to 9/11, economic sanctions appeared to offer an attractive ‘middle ground’ between words of condemnation (which often seemed too little) and military action (which often seemed too much) (Marinov 2005).

A fourth factor is the sheer intractability of some problems that are essentially political in nature. Where a problem appears to be ‘zero-sum’ (and the most notable example may be the problem of Israel/Palestine), economic initiatives (for example, promoting economic growth in the Occupied Palestinian Territories) may appear to be an attractive ‘way out’.

A fifth factor encouraging attention to economic initiatives, within the UK at least, would appear to be the interest of British Prime Minister Gordon Brown, who has a longstanding interest not just in economics (as a former Chancellor) but also in reducing global poverty.

Business – A Powerful Force for Peace?

As part of the recent interest in economic initiatives in relation to conflict, many have suggested that private investment can powerfully fuel peace. By contrast, the political economy literature points to numerous ways in which business may actually favour conflict. What seems most helpful in this connection is to recognise that different kinds of business have different degrees of interest in peace (or war). Economic activities in wartime can be placed in the following three categories:

1. The majority are *impeded* by war, which tends to inhibit production and reduce local demand. These activities include most kinds of industrial and agricultural production, and most services, including tourism. If we focus on these activities, we will be likely to conclude that business has an *interest* in peace.
2. Some are *consistent* with war. This includes the exploitation of low-tech, high value commodities like alluvial diamonds. Offshore oil can be exploited while conflict is raging (as in Angola), as can inland oil that is either far from the locus of conflict (as

in the deserts of Algeria) or well protected by military forces (as in Colombia). A focus on these activities might lead us to conclude that business is *indifferent* to peace.

3. Some are actually *more profitable* in conditions of conflict. Those profiting are likely to be a small minority of the population, but perhaps a very influential minority with privileged access to the means of violence. Artificially high prices may make food trading very profitable for a few merchants. Conflict will boost demand for arms. Though agricultural production will typically suffer in a war, some kinds of agricultural production may be facilitated by the cheap labour of displaced people as well as by political repression for which war may provide useful cover. Companies involved in the security industry may themselves make large profits as a result of armed conflict, as may companies engaged in reconstruction. Exploiting natural resources may be easier when conflict minimises state control or environmental restrictions. Provided that sufficient private security can be enlisted, profits may be higher than normal (reflecting high barriers to entry). The drugs trade may also be more profitable than usual where conflict has minimised government interference. A focus on these activities might suggest that business is *hostile* to peace.

In addition to disaggregating business activities, other kinds of disaggregation may also be useful. For example, we can disaggregate over time, asking how shifts in business activities may alter preferences for peace in different periods. Another helpful exercise in disaggregation is to ask, insofar as business interests do favour peace, what kinds of peace are supported by these interests.

Two examples from Central America can illustrate the importance of these questions. In the case of El Salvador's civil war in the 1980s, Jack Snyder and Robert Jervis (1999: 32) have argued that one factor eventually contributing to peace was the economic self-interest of the 'conservative coffee-growing oligarchy'. For one thing, war was directly damaging coffee production; for another, the coffee growers 'came to see that, in the era of economic globalisation, profits from other kinds of commercial and manufacturing enterprises would be even better than the benefits of repression-based agriculture.' In these circumstances, international involvement in a peace process was actively courted.

Somewhat similarly, the early 1990s saw important business interests in Guatemala beginning to perceive that peace would be more profitable than war. This reflected not only the physical disruption of production and markets in wartime, but also the increased taxation to pay for the war and, perhaps most importantly, the threat (from the US and other countries in the region) of increasingly restricted access to international markets. Whilst exploitation of cheap labour in the plantation sector was facilitated by a climate of repression associated with the war, those not involved in this sector had fewer interests in sustaining the violence (Keen 2003). Jonathan DiJohn (2008) has referred to the importance of (shifting) elite bargains in influencing the way that fragile states perform. The growing influence of those outside of repression-based agriculture – in both Guatemala and El Salvador – would seem to be a case in point.

Even once 'peace' is declared, some influential business interests have nevertheless shown that they have an interest in the continuation (and perhaps mutation) of certain types of violence. This underlines the need to disaggregate between different types of 'peace'. In the case of Guatemala, high levels of intimidation against human rights workers and trade unionists continued in the wake of the 1996 peace agreement. The plantation sector remains important and still depends to a large extent on the intimidation of labour; in DiJohn's terms, it remains part of the 'elite bargain' (even if it is less dominant than before). The European

Union has been involved in promoting non-traditional exports and, in the medium to long term, part of peace building may lie in trying to change the economic substructure in ways that reduce the dominance of sectors that depend on hyper-exploitation of labour and hence, ultimately, on violence and intimidation.[2] The question of what kind of business has an interest in what kind of peace is also raised by the case of Israel (see below).

Examining two key reports: The cases of Northern Ireland and Israel

This section undertakes a critical examination of two reports (on Northern Ireland and Israel/Palestine) that have been very influential, at least within the UK, in proposing that business – and increased private sector investment – can be critical to peace.

1. The Portland Trust Report on Northern Ireland

The influential Portland Trust report 'Economics in Peacemaking: Lessons from Northern Ireland' (May 2007) rightly stresses the importance of examining underlying social and economic trends when looking at a peace process. The report argues that business's strong interest in peace paved the way for the 1998 Good Friday agreement; that private sector investment and peace reinforced each other in a virtuous circle; that 'increased prosperity lessened the appeal of violence' (Portland Trust 2007: 8); that the prospect of increased prosperity helped cement public support for the Good Friday agreement; that '[b]usiness organisations became a key lobby for peace'; and that '[e]conomic discussions became a platform for political settlement' (Portland Trust 2007: 5). The report rightly points out that unemployment among Catholics was traditionally much higher than among Protestants, and that this disparity diminished over time (with discrimination legislation and improved Catholic access to education being important factors).

However, the Portland Trust's analysis of Northern Ireland is problematic in several respects. Six problems stand out. First, it is by no means clear that violence was linked to high unemployment. In fact, the report's own graphs suggest that violence (more specifically, 'total troubles-related deaths') peaked in the early 1970s at a time when unemployment was relatively low; after that, there was a major fall in the number deaths until the mid-1980s (when violence stabilised at a fairly low level), but in this period levels of unemployment actually rose sharply.

Second, the evidence for business's key role in peace is rather thin. The idea that the prospect of a peace dividend helped cement public support for the Good Friday agreement seems plausible enough. But the rather limited qualitative evidence on foreign direct investment in the report, whilst suggesting that fluctuations in the security environment strongly influenced such investment, does not give any indication that causation worked in the other direction (that is, with FDI helping to make peace possible). Nor is much qualitative evidence presented that business interests actively contributed to the peace. Further, the argument that business pressed successfully for peace because it was strongly in its own interests seems to

[2] The case of South Africa shows how a dramatic shift in political power at the level of representation and legislation may disguise a considerable degree of continuity in the 'elite bargain' that determines the distribution of resources. In particular, the economic interests of many white farmers and businessmen went largely unchallenged with the end of apartheid and proved compatible with what has been called 'structural violence': continuing inequalities have been marked, fuelling crime and adding to the risk of widespread political violence.

beg the question – unaddressed in the report – of why business was not able to turn its interest in peace into a successful peace agreement during the 1970s, 1980s and early 1990s.[3]

A third problem (related to this last point in particular) is that the report largely ignores political factors and their very profound impact on the peace process. A major factor was the growing role of the US under President Bill Clinton. Another was a significant change in the political strategy – notably of the British – between the 1985 Anglo-Irish (or 'Hillsborough') agreement and the 1998 Good Friday agreement, with the latter involving a much more inclusive approach. Sir David Goodall, one of the architects of the 1985 Anglo-Irish Agreement, noted that this earlier agreement was aimed at providing a constitutional framework within which the 'moderate' representatives of both religious communities in Northern Ireland would eventually agree to work together. The idea was to marginalise the proponents of violence – the so-called 'exclusive' approach. By contrast, the 1998 Good Friday Agreement, and the process leading up to it, was premised on the innovation of including the IRA after secret talks revealed a willingness to give up armed struggle under certain conditions (Goodall 2002: 28).

A fourth problem is that the Portland Trust report, whilst acknowledging that public sector spending cushioned the economic impact of the conflict, underplays the public sector contribution in the peace process itself. Kevin Bean (2002: 143), who made a detailed study of the changing attitudes to violence within Sinn Fein, has noted:

> 'The 1980s and 1990s saw a whole series of publicly funded initiatives, such as the Peace and Reconciliation Fund, the European Social Fund and the New Deal, targeted at the unemployed and lower income groups. Given the hegemonic position of the republican movement within the communities targeted by these initiatives and the strength of republican community activism and local government representation, these state strategies have drawn republicans and their community intimately into the embrace of a state that they were once pledged to overthrow by force.'

Bean adds that this provided an important socio-economic basis for a self-confident civil society within the nationalist community, whilst the emergence of a Catholic middle class was 'itself a result of the growth of the state sector, white collar and professional employment and relatively high levels of public expenditure in the North.' High public spending, including help for industry, in the 1980s was described by former Northern Ireland minister Richard Needham as 'the third arm in the war against the IRA' (Bean 2002: 142).

A fifth problem with the Portland Trust report is that it rather oddly and unhelpfully positions itself within a more general trend – though Collier is not cited – for ignoring grievances. The report's summary (Portland Trust 2005: 5) states:

> 'The importance of economics in conflict resolution is that it sets aside the question of motive, or grievance, of historical rights and wrongs, and focuses instead on the question of economic opportunity: what conditions – economic

[3] It might even be argued that the new willingness of the Irish government to forgo claims to unification unless the majority in Northern Ireland favoured it (an important factor in the progress towards peace that found expression in the 1993 Downing Street Declaration) probably owed something to a feeling that Northern Ireland might be a drag on the booming economy of Eire (as East Germany had been on West Germany); had the Northern Irish economy been in better shape, this consideration would not have applied.

> conditions in particular – have made the conflict possible? For if these conditions can be removed, progress to end the conflict might be made, just as surely as if the motives had been removed.'

Whilst the point that economic conditions make a difference is important, the statement above appears confused and illogical. Dealing with violence without addressing people's motives is not possible; and if removing certain economic conditions makes a difference, it is surely because it addresses important motives, grievances and 'historical rights and wrongs'. The latter are complicated, important and context-specific issues that cannot sensibly be 'set aside' because of a fashionable – and in some circumstances politically convenient – concern with 'economic opportunity'.

If we recall that the Portland Trust's interpretation of events in Northern Ireland was cited approvingly in the Balls/Cunliffe report on the Middle East (published shortly afterwards), a sixth concern with the Northern Ireland report comes to mind. According to its mission statement, the Portland Trust:

> 'is a not-for-profit British foundation committed to encouraging peace and stability between Palestinians and Israelis through economic development. It promotes initiatives which are designed to support the development of the private sector, particularly in the Palestinian Territories.'

Is it possible that the Portland Trust's mission in the Middle East has coloured its interpretation of events in Northern Ireland, including perhaps the faith in business-as-peacemaker and the anxiety to get away from a concern with 'historical rights and wrongs'?

2. The Balls/Cunliffe Report on Israel/Palestine

This brings us to the Balls/Cunliffe report itself ('Economic Aspects of Peace in the Middle East', September 2007). The first part of this section sets out some criticisms of the report. The second part takes seriously a key point in the report: the need to understand the relationship between violence and the underlying economy. But whilst Balls and Cunliffe pursue this question in relation to the Palestinians, a preliminary exploration of the question is attempted in relation to Israel.

In general, the Balls/Cunliffe report placed a lot of faith in private sector-led economic growth in the Occupied Palestinian Territories (OPTs) as a way out of the current political impasse in Israel/Palestine. The idea was to establish 'the building blocks of an economic roadmap' that could lead – or at least contribute in a major way – to peace. The report argued that Palestinians have become too dependent on an Israeli economy to which they have only very unreliable access; that the Palestinian market is too small to nurture internationally competitive industries; and that Palestinian wages have become uncompetitively high. In these circumstances, the report suggested, there was a pressing need to boost Palestinian exports to world markets (notably through private sector investment) and to reform Palestinian governance. The report expressed the hope that these reforms would create the kind of prosperity that would lead the more violent elements in the OPTs to turn away from violence.

The Balls/Cunliffe argument includes some significant truths: first, the Palestinian economy does need rebuilding; second, it is very dependent on Israel; third, it may well be generally the case that strong economic growth and a flourishing private sector can contribute to peace processes, and unemployment is certainly a factor in various kinds of violence. Moreover, in such a long-running conflict with many elements of a ‘zero sum’ game (notably over land), the impulse to try to get round a political impasse with an economic solution could be seen as constructive lateral thinking.

However, six significant problems with the Balls/Cunliffe report are worth highlighting. This exercise is important not only because the report has been part of the trend for looking at ‘economic initiatives’ but also because these various problems – as with the Portland Trust report – illustrate some of the more general pitfalls when it comes to using such initiatives to address complex conflicts.

The first problem is the way the report picked up on the ‘lessons’, particularly the economic lessons, of Northern Ireland. We have noted that the Portland Trust’s interpretation of events in Northern Ireland is very much open to question. There is also a question about how relevant it is beyond the confines of Northern Ireland – and especially to the very particular context of Israel/Palestine. To give an obvious but significant example: attempts to boost the economy of Northern Ireland did not take place in the context of periodic British government embargoes on Catholic-majority areas of Northern Ireland.

This brings us to a second criticism of the report. The single most important constraint on the Palestinian economy has been the behaviour of successive Israeli governments. Israel’s policies of closure and mass settlement have undermined the nascent Palestinian state and economy, and this damage has been compounded by physical destruction (notably during the second intifada and most recently during the siege of, and attacks on, Gaza) (for example, Le More 2005). Yet, strikingly, the weight of the recommendations in the Balls/Cunliffe report falls squarely on the Palestinians. Although the very negative economic impact of Israel’s closure and settlement policies is discussed in the report, the recommendations largely assume these policies away.

Of course, this imbalance – and the lack of substantial economic initiatives designed to change Israeli policy – is nothing new. Anne Le More has noted (2005: 996-7) that as the 1990s progressed:

> ‘Frustration grew at Israeli actions *vis-à-vis* the Palestinian economy but international actors remained compromising and displayed surprisingly ‘little practical, sustained action intended to influence Israel measures’ whether through diplomatic or economic means.’

The Balls/Cunliffe report makes five recommendations. The first is ‘stabilising the economy’. Here, the report emphasises that the Palestinian Authority (PA) needs to address its fiscal crisis and to control growth in the public sector. There is no discussion of how public sector employment offered one way of reducing the mass unemployment caused, in large part, by the closures policy. The second recommendation is ‘establishing a stable relationship between the Palestinian and Israeli economies’. Here, it is stressed that Palestine needs Israel more than the other way round and that the Palestinian and Israeli business communities can work together to articulate ‘the economic voice for stability’. There is no specific mention of Israel’s closure policy in the context of the recommendations, though there is a recommendation that Israel stops all new settlement and that ‘trade access’ be improved. The third recommendation is ‘improving security to allow movement’. Here, it is noted that Israel’s restrictions on movement ‘have successfully prevented a number of intended terrorist attacks,' and the report adds that the closure policy 'has unquestionably helped improve Israel's short-term security'. The authors also stress the need for the PA to reform its security services to control local gangs and militias. The fourth recommendation is 'encouraging Palestinian economic diversification', and the fifth is 'supporting the Palestinian private sector'.

The recommendations thus follow an earlier pattern discerned by Le More. She noted (Le More 2005: 996) that as the 1990s progressed, donors became increasingly aware of the political constraints hampering state-building in the PA, including Israeli territorial expansion. She added:

> 'Yet, this recognition of the primacy of politics did not lead to an adjustment of their overall approach. Donors continued to treat the West Bank and Gaza as a quasi normal 'sovereign' county, focusing on the PA having to be kept on the 'peace process' track by means of a complex mix of carrots and sticks…'

The Balls/Cunliffe report's emphasis on Palestinians 'getting their house in order' looks all the more imbalanced in the light of: first, the severe impact of US and EU sanctions on the Hamas government in Gaza; and second, the subsequent devastating impact of Israeli attacks. After Hamas's victory in the January 1996 elections, the US and EU said they were cutting off aid to the PA until Hamas recognised Israel, denounced terrorism and complied with previous agreements. Hamas was unable to pay public employees' salaries and Fatah-affiliated security forces took to the streets to demand their salaries. In February 2007, Fatah and Hamas signed the Mecca accord, but the US and EU refused to accept it or to lift sanctions (Jarbawi and Pearlman 2007). According to a December 2007 report by the International Crisis Group (ICG), the US-led sanctions have 'accelerated the emigration of expatriate and local investors, as well as businesses'. PA employees accounted for almost half the Gaza Strip workforce, so cutting off aid to the PA there has had a devastating effect on employment. In 2007, ICG added, 'Gaza appeared to be atomising into factional and social anarchy, as political strongmen, militia commanders and clan leaders with overlapping constituencies jostled for a share of the spoils' (ICG 2007b: 5). This process, in fact, was already under way during the second intifada and associated Israeli embargoes (Jarbawi and Pearlman 2007).

A third (and related) point is that, even prior to the latest Israeli attacks on Gaza, circumstances in the OPTs (especially Gaza) were hardly conducive to a business renaissance of the kind called for in the Balls/Cunliffe report. Indeed, whilst the report stressed the importance of business articulating 'the economic voice for stability', some observers question whether there is a private sector in Palestine/Gaza that is sufficiently strong or well organised even to have its own separate voice. The report does acknowledge the declining conditions in the OPTs. But again the acknowledgement of awkward facts is not permitted to dent the general optimism (or the air or unreality) in the proposed solutions. Indeed, the deterioration of conditions in the OPTs (over the two years it took to write the report) is held to imply that the report's underlying rationale – the need to revive the Palestinian economy as a route to peace – 'has become even more compelling' (Balls and Cunliffe 2007).

A fourth significant weakness in the Balls/Cunliffe report is best addressed by referring, first, to an enlightening study of business and peace in the Middle East by Markus Bouillon. Bouillon notices that politicians and economists have emphasised 'positive effects of business co-operation and cross-border ties, which would strengthen and advance the peace process' (Bouillon 2004: 4). Bouillon proceeds to describe the underlying logic behind this thinking in a manner that would seem to confirm the approach of Balls and Cunliffe (and also of the Portland Trust):

> ‘if entrepreneurs established business contacts and pursued joint ventures, all parties involved in these deals would develop a vested interest in the continuation of the peace process. On the basis of their economic interest, business people on all three sides would then exert pressure on their respective governments for a successful conclusion to the negotiations.’

The problem is that Bouillon is referring here to the optimism surrounding the 1993 Oslo peace agreement, an optimism that he shows to have been profoundly misplaced. After this agreement, the international community ‘embarked on an ambitious development programme in support of the implementation of the Oslo peace process’ (Le More 2005: 987). The danger now is that such past optimism is being simultaneously forgotten and reinvented (Brynen 2008).

The sheer quantity of aid that has been injected into the OPTs might reasonably suggest the dangers in reinventing this ‘developmental’ route to peace without tackling underlying political and strategic problems. More than $7 billion was disbursed to the OPTs between 1993 and 2005 (Le More 2005: 982). It is true that a good part of this was wasted on corruption (Bouillon 2004; Said 1996). But even when rapid growth was engendered, it did not seem to feed into peace. In fact, when continuing grievances about the continuing lack of a viable Palestinian state erupted into the second intifada in 2000, this came after three years of very rapid growth.

Even within the ‘developmental’ route to peace recommended by Balls and Cunliffe, considerable faith is placed in remedying shortages of elements that are actually not in particularly short supply. Thus, the report calls for improvements in access to finance and makes some practical suggestions here. But Palestinian savings abroad are very high; the main problem is that savers do not feel inclined to invest them in such an unsafe area. The report also gives a good deal of attention to remedying infrastructure problems, and again these are significant (not least because the second intifada saw the destruction of much of the donor-funded ‘development’ work that was intended to cement the 1993 peace agreement). A more fundamental constraint, however, is the Palestinians’ continuing inability freely to use the infrastructure (including good roads) that already exists.

A fifth problem is that the Balls/Cunliffe emphasis on bringing about good governance among the Palestinians looks remarkably impractical in the light of the unwillingness of the US and the EU to engage with Hamas.[4] Given this unwillingness, fostering good governance has, in practice, come to mean granting preferential favour to ‘one lot’ of Palestinians (in the West Bank) whilst penalising another (in Gaza). Of course this is not the fault of Balls and Cunliffe, but they do not begin to address the contradictions here. There is every indication that the sanctions on Gaza/Hamas only increased levels of anger and bitterness within Gaza – particularly directed at the international community (Brynen 2008) – as well as feeding into the poverty that plausibly has some connection to continuing violence. In their study of governance among the Palestinians, Jarbawi and Pearlman stress that if Mahmoud Abbas (who became President of the Palestinian Authority in January 2005) was to succeed in controlling his own followers in Fatah, then he needed Western governments to strengthen his

[4] It may be worth noting, in passing, that in the refusal to deal with Hamas, the often-touted ‘lessons of Northern Ireland’ have been given fairly short shrift (see, for example, Ancram, 2008).

prestige at an earlier stage (notably by pressing Israel to ease closures, dismantle small settlements and release prisoners). Abbas also needed financial assistance in order to carry out ‘a sweeping reform of the PA security sector, which would hinge on financially enticing senior officials to retire and intifada fighters to lay down their weapons’. The opportunities for ‘economic initiatives’ here may have been considerable. But in the event, international aid to the PA fell short of its needs (Jarbawi and Pearlman 2007: 13).

Of particular relevance may be the way that conditionality was handled in relation to Israel/Palestine. Arguably, the international community was too lenient on the PA (in relation to corruption in particular) for too long before ‘getting tough’ too suddenly in 2002. A second problem is that Israel has enjoyed something approaching a ‘veto’ on much of the funding for the OPTs. The World Bank has made it clear that funds for the OPTs depend on progress towards peace by Israel and the Palestinians. But to a significant extent, Israel has been trying to undermine the economy of the OPTs (or at the very least behaving in ways that will predictably undermine this economy). It is not clear, then, what incentive, if any, Israel might have for compliance. Nor is it clear what incentive the Palestinians might have for compliance if they believe that Israel will block negotiations (and hence increased aid) in any case.

In the final part of this section, it is worth saying a bit more about the relationship between the Israeli economy and continuing conflict, something that tends to get lost in all the focus – not least in the Balls/Cunliffe report – on the Palestinians. The question of whether Israeli business ‘has an interest in peace’ is a complicated one. During the Oslo peace process, it does appear that Israeli business had an interest in getting the secondary and tertiary Arab boycotts lifted, and hence an interest in a peace agreement of some kind. Large state subsidies to Israeli industrial conglomerates were proving unsustainable and liberalisation seemed to offer a solution. Bouillon commented: ‘It was thus no coincidence that Israeli big business executives began to exert pressure on the political establishment to engage in peace negotiations towards the end of the 1980s’ (Bouillon 2004: 5).

But Israel’s internal political economy was changing rapidly, and an emerging focus on exporting beyond the region actually minimised the interest in regional stability. Meanwhile, the loss of blue collar jobs accompanying liberalisation within Israel (a liberalisation that was pursued by Israel’s Labour Party in association with the peace process) encouraged many poor segments of society to turn towards the Likud and Shas parties in what was partially a vote against the peace process (Bouillon 2004). Meanwhile, the gap between marginalised ‘Arab Israelis’ and the Jewish majority of the population was growing, fuelling anger among the former. The opening up of the Israeli economy meant that cheap foreign goods were putting Israeli companies out of business, leading to redundancy for many Palestinians with Israeli citizenship; soon Palestinians in the OPTs were also losing out as labour-intensive Israeli firms increasingly relocated to Jordan, eastern Europe and the Far East (Bouillon 2004: 2-3). One implication of these trends is that Palestinians have become increasingly irrelevant to the Israeli economy, and this in itself might be a source of vulnerability.

To be fair to Balls and Cunliffe (2007), they do notice this economic trend. They also observe:

> ‘Palestinian manufacturing has traditionally concentrated on low-value, labour-intensive intermediate goods produced for Israeli companies. In the past 20 years the Israeli economy has changed, and now specialises in producing high-tech, high-value exports, which do not demand the low-value, labour-intensive inputs that Palestinian firms produce.’

A key problem here, once again, is that the implications drawn by Balls and Cunliffe are all for the Palestinians (basically, the need to aim for the world market), whilst the implications for Israel are not discussed.

Another worrying aspect of the Israeli political economy is the heavy reliance on defence industries and on the growing ‘homeland security’ industry. Naomi Klein (2007) suggests that continued conflict serves as a kind of ‘showcase’ for the Israeli defence and homeland security industries, and the argument that ‘war is advertising’ has also been made in other contexts (Baudrillard 1995; Coogan 1995: 30). Major conflicts normally put a dent in investor confidence; but the Tel Aviv stock exchange actually rose strongly during Israel’s conflict with Lebanon in 2006.

Another element of the Israeli economy that has flourished during continuing conflict is that part which has benefited from the sanctions on the OPTs. The various embargoes and restrictions have yielded significant windfalls not only for ‘big-shots’ in the Palestinian authority but also for well-placed Israelis, with (expensive) supplies regularly finding their way through the relevant checkpoints (New York Review of Books, July 15, 2004). A World Bank report found that in 2006 bribes on the Israeli side of the Karni Crossing (between Gaza and Israel) were running at between $2,000 and $6,000 per truck (World Bank 2007: 14).

The Potential of Economic Initiatives as Part of a Political Process

Whilst it is very difficult to find a peacemaking process that has been wholly successful, some relatively successful examples suggest that economic initiatives can play a useful role when they are appropriate to the local context and when they feed into a broader political process. Where it has borne fruit, the political process has normally included the provision of adequate internal or intrinsic incentives for peace – that is, incentives not created by outside actors but arising from the anticipated benefits of a particular political arrangement (Griffiths and Barnes 2008).

Northern Ireland would appear to be one of these relatively successful cases. The relevance of intrinsic incentives is underlined by the fact that the IRA was offered substantial political gains and political respectability. It is fair to add that ‘external’ economic initiatives – whether the promise of more investment (as emphasised by the Portland Trust) or the efforts to support industry and employment – do also appear to have made a positive difference. Two advantages here were the fairly high levels of understanding of the conflict (which after all was in UK territory) and the high levels of long-term commitment and funding that the UK government was prepared to invest in a solution.

Beyond the UK, two examples from Africa illustrate the importance of understanding political processes when considering economic initiatives. Mozambique is often cited as a relatively successful peace process. Here, a peace agreement was secured in 1992 and it has (more or less) endured. Some externally generated economic incentives were brought to bear. Notably, there were secret pledges of financial support to Renamo from Italy and from the multinational Lonrho, whilst the government’s stance was softened, in part, by a loss of support from the collapsing eastern bloc and by a relatively new susceptibility to Western pressure in the context of a growing dependence on Western aid (Vines 1991: 146). However, it is worth stressing that many of the most important incentives were again internal or intrinsic: in other words (and this should hardly be surprising), ‘politics’ was integral to the peace process. Not only were the Renamo rebels assisted in transforming themselves into a political movement; they were also permitted to tax businesses in Renamo's areas of control, and they were given an undertaking – in a pre-electoral agreement – that Renamo leaders would be included in the new government (Le Billon 2003). A second important point is that the rebels were in an unusually weak position when these various incentives 'worked'. It was not just that Renamo had lost support from South Africa; there was also a relative scarcity of valuable natural resources that could sustain a rebellion 'from within', whilst booty for warring parties was running low and Renamo areas in particular were suffering from severe food shortages (Vines 1991: 120-47; Keen and Wilson 1994). A rebel movement in a stronger domestic position would almost certainly have demanded more internal and external incentives to make peace.

In Sierra Leone, commodity sanctions seem to have played a helpful role in the peace process. It is worth stressing, however, that these sanctions were able to have a positive effect because they were part of a broader package of political and security measures. Sierra Leone's rebel RUF had been receiving substantial support from Charles Taylor in Liberia, both when Taylor was a rebel within Liberia and when he became President of Liberia from 1997. In January 2001, the US introduced a motion in the UN Security Council to impose (diamond, arms and travel) sanctions on Taylor's Liberian government because of its support both for the RUF rebels and for rebel groups in Guinea. The Liberian government was clearly alarmed by the US initiative, and tried to distance itself from acting RUF leader Sam Bockarie and, more generally, from the accusation of fuelling war in Sierra Leone. Alongside Sierra Leone's national diamond-certification scheme, pressure on Liberia appears to have made it harder and less profitable for the RUF to sell diamonds. The sanctions contributed to peace in 2002, but they worked as part of a much wider process which included military pressure on the RUF and the rogue army faction known as the 'West Side Boys', a significantly improved disarmament, demobilisation and reintegration effort, and important externally encouraged reforms within the Sierra Leonean military (Keen 2005a). Reforming the military was particularly important in a context where much of the violence against civilians had been perpetrated by poorly trained and poorly paid soldiers, some of whom had actively collaborated with RUF rebels. In the early 1990s, the role of external governments and multilateral organisations had been much less constructive since a key problem in Sierra Leone's war was the overwhelming focus on rebel abuses while government soldiers' abuses went virtually unaddressed.[5] The importance of reforming the security sector is also underlined by the fact that attempts to downsize the military (and cut rations) in 1996-97 had helped to precipitate a coup by junior officers and the RUF in May 1997, reigniting the war after a short lull.

Some Key Dangers when Using Economic Initiatives

Using economic initiatives to facilitate peace is a complicated and delicate task, and it is certainly easier to point the finger in retrospect than to design an intervention that actually assists or promotes a lasting peace. It is worth highlighting five important dangers that need to be carefully thought through when designing interventions. The first is the danger that sanctions will directly harm populations within the relevant country or region. The second is the risk that sanctions will worsen the conflict. The third is the danger that actively providing support will fuel violence. The fourth is the risk that the intervention will simply be unhelpful

[5] This bias was reinforced by major debt relief for the military government of 1992-96, a government that was hailed for its 'financial wizardry' in bringing down inflation during wartime. The fact that the military regime was able to perform this feat owed a good deal to government soldiers effectively funding themselves by looting civilians and engaging in illegal diamond mining (Keen 2005a).

in a context where other agendas are being given a higher priority. The fifth is the danger that external incentives will contribute to a peace that contains important elements of violence and that is unsustainable in the long term.

The Danger of Direct Harm

At the stronger end of the conditionality spectrum is the practice of restricting aid, trade and/or flows of investment to abusive regimes or rebel groups. These measures are often called 'sanctions'. Sanctions may sometimes be directly harmful to the general population in targeted countries. The hope has generally been that promoting short-term pain will eventually bring long-term gain. But if the aim of policy-makers is to promote human welfare, then imposing measures that damage human welfare is, at the least, problematic (Cortright and Lopez 2000; Dyson 2006). Sanctions can undermine humanitarian aid. In theory, the international sanctions imposed on the Sierra Leonean junta of 1997-98 exempted humanitarian aid; yet in practice food aid dried up and high rates of malnutrition and mortality began to emerge (OCHA 1997; Cortright and Lopez 2000: 176; Porter 2003). Even sanctions on particular commodities, whilst generally targeted at rogue rebel groups, may have widespread adverse effects. Jonathan Goodhand points out that such commodity sanctions may damage 'coping economies': in other words, they may undermine the livelihoods of large numbers of people struggling to survive (Goodhand 2002).

The human costs of sanctions have been clear in southern Africa, notably in Mozambique and Angola. In Mozambique, as noted, a significant factor in the weakening of the Renamo rebels in the late 1980s and early 1990s were the food shortages in Renamo areas. These reflected unwillingness on the part of the international community to channel food to these areas in a context where channelling food to government areas was seen as supporting 'the right side' and perhaps bringing war more quickly to an end (Keen and Wilson 1994). These restrictions were not formally part of any sanctions regime, but the bias was clear. Whatever the long-term benefits of this may have been, the direct human cost was very large.

Events in Angola at this time showed how international sanctions could help to weaken a rebel movement but at a very high human cost. The sanctions helped to create a distorted and highly uneven pattern of humanitarian aid, with UN agencies confining their support to the government side while sanctions were placed on UNITA. In a detailed study, Christine Messiant (2004) observed:

> 'For over three years (from the end of 1998 to the beginning of 2002), hundred of thousands of Angolans were unable to request or receive assistance: more than 3 million were estimated to be beyond reach in 1999, with an additional million at the time of the [April 2002] ceasefire.'

If sanctions can impact on humanitarian aid, their effect on the productive economy can also be very grave. A range of sanctions have been imposed on Burma, notably by the US in 1997 and 2003 (Rarick 2006: 61; Seekins 2005: 339-40), and trade sanctions have hit the textile industry particularly hard, causing significant suffering among textile workers (Seekins 2005: 444). Charles Rarick (2006: 62) has noted:

> 'In the industrial zone of the capital, one can see the many vacant buildings that once housed a thriving garment industry. The sanctions imposed by the USA closed the market for those goods and forced thousands of people out of work. Poverty has increased, along with its related social ills.'

The Danger that Sanctions will Worsen the Conflict

Sanctions may worsen a conflict. One risk is that sanctions will feed into violence through 'bottom-up' processes. In particular, where sanctions interfere with humanitarian aid, this may encourage people to turn to violence as a survival strategy, especially where sanctions are weakening an already fragile state. To the extent that poverty drives conflict, sanctions-as-conflict-resolution may even be said to represent a bizarre concept.

Aside from these 'bottom-up' effects, withholding aid, trade or investment may impact on the political economy in ways that deepen the abuses of rebels and/or governments. Again, Angola is illustrative. Whilst sanctions on UNITA rebels in Angola possibly shortened the civil war, the human cost included not only deepening food shortages but also intensified abuses – for an extended period – by UNITA itself. One factor here was that despite the arms embargo, UNITA was still able to access significant quantities of arms (Cater 2003). During the renewed warfare in Angola between 1998 and 2002, the UNITA forces – faced with a combination of international sanctions and military reversals – actually stepped up their exploitation of civilians in areas they controlled; this included pillage, extortion, mutilations and the forced recruitment of men and children (Messiant 2004). Thus, while sanctions had some restraining effect on the rebels' capacity for violence, in some ways they actually increased the propensity for violence. In this connection, Charles Cater (2003: 39-40), an expert on Angola, refers to 'the false premise that profit motivates insurgency and that therefore the denial of resources will alter the incentive of rebel groups'. In terms of the government side, sanctions seem to have given a 'green light' for all-out warfare, including depriving rebel-held areas of food. Cater asks: 'Are targeted sanctions regimes… intended to facilitate the peaceful resolution of conflict or to assist the pursuit of coercive war termination?' Somewhat similarly, Jeffrey Herbst (quoted in Cater 2003: 40) has commented: 'Demanding such sanctions is an implicit call for the military defeat of the rebels by the government'. It is important to note that 'peace' can be pursued by a variety of means, some of which may be more harmful (and more violent) than others.

A related danger is that sanctions on one side will make the other side more inflexible when it comes to negotiations. In Sri Lanka, pressures on the Tamil Tiger rebels have included attempts to reduce diaspora remittances (ICG 2006a). But as an insightful Conciliation Resources report puts it: 'International pressures exerted on one party may encourage the other side to escalate its demands or refuse compromise' (Griffiths and Barnes 2008). Mediation may also be discouraged when sanctions effectively criminalise rebel groups (Cater 2003: 40). Suthaharan Nadarajah (2008) argues that in Sri Lanka after a ceasefire agreement in 2002, a pattern of aid favouring government areas combined with the 'terrorist' label for the rebel Liberation Tigers of Tamil Eelam (LTTE) to induce a feeling within the LTTE that the peace process was heavily biased in favour of the government, thereby hardening positions within the LTTE. Somewhat similarly, Brian Smith (2008: 91) notes a tendency to treat the LTTE as the 'bad guys' and the government as the 'comparatively good guys', adding: 'This bias has driven the LTTE even further to the margins of a debate where they consider that they will never be treated fairly'.

What then of sanctions on governments? Not everyone is pessimistic here. According to a study by Nikolay Marinov (2005: 565), sanctions increase the chances of a regime overthrow. However, Marinov found that sanctions were significantly less effective with undemocratic than with democratic regimes. Substantial qualitative evidence suggests that sanctions on the more autocratic and vicious regimes have a poor record. For a government to change their behaviour as a result of the pain sanctions impose on its people, that government would have to care about its people (or at least be accountable to them); but this is precisely where abusive regimes fall short (Seekins 2005: 44; Rarick 2006: 61). In fact, when sanctions are imposed, abusive rulers may benefit economically from the manipulation of shortages and they may benefit politically by emphasising the existence of an 'external enemy' (perhaps with 'internal collaborators'). In the case of Burma, it has been suggested that sanctions might provide a scapegoat for the Burmese regime's failed economic policies and that they might even have helped to undermine a reform movement within the government hierarchy (Rarick 2006: 62). If we look back to Haiti in the early 1990s, international sanctions seem to have reinforced an autocratic regime whose security forces took control of the smuggling and the black market and the allocation of scarce resources. Sanctions were also reported to be squeezing out the Haitian middle class (Cortright and Lopez 2000: 20), an important source of political opposition in many societies.

In Iraq in the 1990s trade sanctions arguably helped Saddam Hussein via a number of mechanisms. Widespread bribery allowed Saddam's cabal to engage in exporting and importing despite the sanctions, and the profits from these activities were boosted by the large price differences that sanctions helped to create (Le Billon 2005). Dependence on state patronage seems to have become ever more important under the conditions of scarcity created by sanctions, and Saddam meanwhile used his control of the media to put across the message that the West was entirely to blame. After Saddam was toppled by US-led coalition forces in 2003, organised crime fed off the previous history of sanctions busting. A UN report (UN Information Services 2003) noted:

> 'Theft of oil and copper and trafficking in these products is currently a major problem. The evolving nature of organized crime in Iraq is based on sophisticated smuggling networks, many established under the previous regime to circumvent UN sanctions.'

It is worth discussing the case of the Federal Republic of Yugoslavia (FRY) in some detail. It is possible that sanctions eventually played some part in eventually getting rid of Milosevic, who was deposed in October 2000. Sanctions provided a focus for oppositional politics as well as an opportunity to direct aid selectively at opposition strongholds (Bieber 2003). Even in 1999, there were those in Belgrade who saw sanctions as ratcheting up the pressure on Milosevic, particularly since he was by this time running out of plausible wars with which to boost the general sense of siege.

However, for many years sanctions appear to have reinforced Milosevic (Woodward 1995; Keen 1998). During the late 1990s many intellectuals and aid workers in the FRY argued that Milosevic and his inner circle were actively courting international sanctions. Trading in key commodities was subject to monopolistic control, and sanctions on oil and other strategic goods tended to increase the profit margins for those whose political connections allowed them to breach these sanctions (Andreas 2005; Woodward 1995). One local journalist based in Belgrade told me in 1999: '[Sanctions] created a political environment, a fertile soil for the ruling elite and some other groups and an alibi for the structural and deep criminalisation of the society.' Corrupt money-making schemes included dubious public loan projects, pyramid schemes and simply printing money.

Sanctions appear to have reinforced a pre-existing sense of siege in Serbia: in a sense, sanctions 'confirmed' the idea of a historical conspiracy against the Serbs, particularly as a largely compliant media had played down the atrocities precipitating the sanctions. This raises a more general question: what is the effect of international condemnation if the condemned party already feels like a victim?

Designed to a large extent as a deterrent to violence, sanctions risked providing legitimacy for successive wars. At least during the mid- and late-1990s, sanctions appear to have helped Milosevic to re-direct discontent against external enemies (the people imposing the sanctions), whilst also helping him to stigmatise his opponents as collaborators with those who were imposing this hardship. One young Serbian woman working for an NGO said many felt they were being experimented on like rats in a cage: 'Many people were against Milosevic, but then reacted to sanctions by saying 'Don't tell me what I should be thinking and doing!'' In conditions of hardship, the government's ability to provide jobs and other benefits to its security services proved a particularly valuable source of support for Milosevic. As in Haiti, the impoverishment (and flight) of middle-class people weakened one of the forces that tends to be most vocal in demanding democracy.

As an alternative to generalised economic sanctions, more targeted sanctions offer considerable potential. But again, it is important to try to understand this economic intervention in terms of its effect on complex political processes. In 1999, the United States, the EU and Switzerland attempted to impose targeted financial sanctions on individual businesspeople and politicians in the Federal Republic of Yugoslavia as part of the international pressures over Kosovo. The US's Office of Foreign Asset Control has particular expertise in this area. There was no UN Security Resolution authorising these measures. Since a range of international pressures on the FRY had been imposed significantly earlier (in 1992), targeted individuals had probably already moved their assets to secure locations. Even so, the move was seen as welcome (if belated) by a wide range of intellectuals and activists. The departure from general sanctions was particularly favoured – not only because these had caused a lot suffering but also because they were widely seen as bolstering Milosevic's abusive government. Sources in Belgrade in 1999 reported that targeted sanctions were already having a powerful effect on the elite. 'Psychologically, it's created a lot of problems,' one analyst told me. 'People are understanding they will not have a future. If it continues like this, they can lose all the money they have.' Part of the elites' anxiety was said to be the fear that the list could form the basis for some kind of international criminal tribunal. The list was also seen as a good way of producing incriminating information. As one local analyst put it: 'Those on the list are denouncing others not on the list. It's fantastic for blackmailing, and getting more details on Milosevic's bank accounts!'

Significantly, sanctions may feed into conflict beyond the targeted country and over the longer term. For example, sanctions on the FRY contributed to the economic decline in Kosovo (along with sanctions from Belgrade), creating a pool of young, unemployed Kosovo Albanians who proved susceptible to joining the Kosovo Liberation Army. Sanctions also contributed to the establishment of what was effectively a parallel state in Kosovo, as people sought social services in the context of collapsing services emanating from Belgrade. This parallel state was a provocation to the Serbs. Taxation for social purposes often merged into extortion for ambiguous purposes; sanctions-busting fed into criminal activity and funding for the KLA; and diaspora remittances that were designed in part to offset a collapsing economy and services also came to serve a function in funding the military objectives of the KLA (Yannis 2003). Meanwhile, the criminalising effects of sanctions spread from FRY to Albania, Romania, Bulgaria and Macedonia.

If sanctions can exacerbate conflict in important ways, the lifting of sanctions may also create problems. In Kosovo and Albania, the lifting of sanctions on the FRY may have increased ethnic tensions in Kosovo and Albania, as local mafias and pyramid schemes had come to depend on the profits of sanctions busting (Andreas 2005). In the case of Iraq, the lifting of sanctions created economic hardship in towns associated with sanctions busting, including Fallujah, and this fed into the subsequent insurgency against coalition forces.

The case of Rwanda suggests that the threat of sanctions may sometimes contribute to a powerful and violent backlash by endangered elites. Indeed, even when rapid progress towards peace and political or social reform proves possible (perhaps because of international pressures of various kinds), this may itself trigger a violent reaction from those who are threatened by such reforms. Recalling President Juvenal Habyarimana's stalling on peace and power sharing in 1993, Human Rights Watch (1999: 125) reported:

> 'By late July [1993], the donor nations—including France—had lost patience and used the ultimate threat. In combination with the World Bank, they informed Habyarimana that international funds for his government would be halted if he did not sign the treaty by August 9. With no other source of funds available, Habyarimana was obliged to sign along with the other parties, on August 4, 1993.'

That meant accepting power sharing during a transitional period leading to elections. Roland Paris notes that foreign donors were subsidising at least 70 percent of the government's public investment at the time, so the external pressure was enormous (Paris 2004).

Yet the rush to democracy and power sharing was ultimately resisted by Hutu extremists who were ready to resort to genocide. The case of Rwanda illustrates a point made a long time ago by Barrington Moore: it may be the underlying political economy that determines what kinds of reform are possible and when (Moore 1966). In a different process that nevertheless underlined the dangers of 'backlash', Indonesia acceded to a referendum on independence for East Timor after significant pressure from outside governments including the US and Australia; the vote for independence, in August 1999, led immediately to massive retaliation by pro-Indonesian militias linked to an army that was desperate to prevent the break-up of Indonesia (Ignatieff 2001).

International pressures may smack of neo-colonialism and may rebound against the cause that is being espoused. In Sri Lanka, April 2004 saw a relatively pro-peace UNP government replaced by a SLFP-JVP regime that was more sceptical towards the peace process and towards international involvement in general. In their detailed analysis of the Sri Lankan peace process, Frerks and Klem (2006: 57) noted:

> 'Partly due to the Buddhist or nationalist inclinations of segments of the [SLFP-JVP] coalition and more moderate concerns regarding sovereignty, the SLFP condemns foreign attempts to apply political pressure or interfere with domestic matters.'

They add that '[w]hen political leaders are themselves strongly opposed to foreign interference, or cannot afford to be seen giving in to foreign pressure, conditionalities may easily have adverse or even inverse effects' (Frerks and Klem 2006: 62). Somewhat similarly, a Conciliation Resources study notes that conditionalities may weaken leaders in the eyes of their supporters, thus reducing the political will necessary to enter or sustain negotiations (Griffiths and Barnes 2008).

An important area for economic interventions – and perhaps a missed opportunity in the past – is examining the interests of military actors who may be threatened by reform. Elements of the Rwandan army played an important role in the 1994 genocide, and many soldiers seem to have been angry and fearful at the prospect of being demobilised after the 1993 Arusha peace agreement. Edward Mansfield and Jack Snyder (1995) have stressed the importance of considering 'golden parachutes' (which might take the form of jobs or pensions) that could help clear the dangerous road to democracy by discouraging elites from the often favoured strategy of appealing to nationalism or ethnic violence. In Zimbabwe, Mugabe's senior officers have been worried about their pensions as well as the risk of prosecution. In the disastrous transition from communism in former Yugoslavia, Glenny (1992) argues that there was a missed opportunity to secure to the pensions of Yugoslav People's Army officers; he suggests that this fed into the willingness of many to support Milosevic's greater Serbia as their best hope of financial security. In his analysis of Zaire/DRC in the period before mass armed conflict, Georges Nzongola-Ntalaja (2002: 200) comments: 'Since Mobutu's power relied heavily on the security forces, it was amazing how little thought went into the matter of how to manage the transition with military chiefs who were against it.' As in Zimbabwe today, many feared loss of privileges as well as prosecution.

Power inequalities may be very marked at the point when war is ending or democracy pending, and these inequalities will usually include a large imbalance between those who are armed and those who are not. To be accepted, any peace will probably need to accommodate power inequalities to some extent. If a peace agreement challenges these inequalities too drastically, we may expect a backlash of some kind. Although it is often assumed that 'all good things go together', there may be important trade-offs between peace and self-determination, as well as between peace and democracy or peace and justice. Edward Mansfield and Jack Snyder (1995) and Roland Paris (2004) have warned strongly against rushing too quickly towards competitive elections. Some element of caution in pushing for rapid social and political change is suggested by analyses that emphasise that good policies can be seen as outcomes (of particular social formations) as well as causes (of particular development patterns) (Acemoglu et al. 2001).

The Danger that External Support will Fuel Violence

A third major danger with external interventions is highlighted here. Although sanctions carry significant dangers, there are also risks in the opposite course of action – notably, in actively channelling aid to governments that are implicated in human rights abuses. This shows the difficulty of finding the most helpful approach.

While the varied effects of investment cannot be dealt with in any depth within the confines of this paper, it is worth noting that investment may have notable adverse effects on a conflict. Growth may exacerbate inequalities and social tensions, perhaps feeding into armed conflict (Stewart 2004, 2008; Keen 1994). Externally-imposed liberalisation schemes have often been a particular source of tension (Keen 2005b). There is some evidence, for example, that the current insurgency in Iraq has been supported by Iraqi business interests who have been angered by liberalisation policies and, in particular, by the flood of cheap imports and by legislation facilitating the foreign purchase of Iraqi firms (Klein 2007).

While private investment is an important topic, the focus here is on help provided to governments in conflict-affected countries. During the Cold War, superpower support for undemocratic rulers helped to store up grievances for the future, creating pressures that often met with a violent backlash when democratisation gathered steam.[6] The end of the Cold War did not banish donors' propensity for bias in relation to many governments. In the late 1990s, continued aid to the Sri Lanka government without any significant conditionality on human rights abuses of negotiations appears to have helped the government to use a greater proportion of its GDP for war-making (Frerks and Klem 2006: 23; Smith 2008). Biases in the peace process continued. One careful analysis (Nadarajah 2008: 1) noted:

> 'The tools of international intervention included threats of further proscriptions of the LTTE (the Norwegian initiative coincided with the global 'war on terror'), making international aid for Tamil areas conditional on 'progress towards peace' as well as support for joint initiatives (eg reconstruction efforts) by the parties. Crucially, moreover, there was also robust international support for rearming and reconstituting the Sri Lankan military and revival of the country's economy – in effect reversing key factors of the stalemate that some argue led to the peace process…. In June 2003 donors pledged US$4.5bn in reconstruction aid for the 'entire' country, but only the (unspecified) amount destined for the war-shattered northeast was made conditional on 'progress' in the peace process.'

As with Israel in relation to conditional funding for the Occupied Palestinian Territories, it is not clear what incentive the Sri Lankan government had to take actions that would release the funds for Tamil areas. Meanwhile, ceasefire breaches by the LTTE drew much greater condemnation than those (including ongoing support of paramilitaries) by the government (Nadarajah 2008: 1; Frerks and Klem 2006).

A more general problem in many parts of the world is worth noting. As some donors have turned away from the cruder forms of conditionality, they have embraced so-called 'post-conditionality', stressing the need for long-term engagement with 'like-minded' recipient governments, often on the basis of agreed benchmarks. A good performance in poverty reduction has been an important consideration when deciding which governments to engage with in this way. However, this approach risks undermining donors' willingness – and even their room for manoeuvre – to pressure for improvements in human rights observance and conflict resolution or mitigation. There seems to have been a significant degree of impunity that internationally favoured regimes in Rwanda and Uganda were able to enjoy for abuses in the DRC at the turn of the twenty-first century (and in Uganda's case, also in northern Uganda) (Marriage 2006; Dolan 2009; Keen 2008).

Ineffective in a Context of Other Priorities

A fourth major danger with economic interventions is simply that they will be ineffective. Part of the problem here, as noted, is the indifference of abusive regimes to suffering that is induced by sanctions. Sanctions are typically very difficult to enforce, there is frequently a reluctance to enforce them (even among those apparently committed to a peace process) and other priorities have frequently diluted the impact of conditionality when it comes to human rights or conflict resolution. Whether sanctions 'work' when they are enforced is debatable, as we have seen; but they certainly will not work if they are not enforced. In the case of South Africa, multi-country cooperation was notable. Yet in general enforcement has been a major problem.

[6] Many of the countries receiving the most US aid went on to experience the worst emergencies (De Waal, 1997).

Sanctions may be only very partial and in any case they may be breached. One of the enforcement problems is familiar from the drugs trade: prohibitions actually increase the rewards for those who can successfully bypass them (Cater 2003). While part of this ‘windfall’ will accrue inside the targeted country, part will also accrue to international actors who bypass, or simply choose not to enforce, sanctions. In 1998, 24 years after the Angolan civil war began, the UN banned the purchase of any Angolan diamonds lacking an official government certificate of origin, and the European Union applied similar measures the following month. However, the rebel group UNITA found a number of ways of getting round these measures, including continued trade to South Africa and flights to Europe and Israel via the Ivory Coast, Morocco and the Central African Republic (Le Billon) 2001).

Multinationals may resist attempts to rein in war economies, and this resistance may include political pressures within wealthier countries. David Malone and Heiko Nitschke report (2005), for example, that diplomatic pressure was exerted on the UN Secretariat and members of the DRC Panel of Experts to drop allegations against particular Western companies. Sanctions on Liberia were significantly weakened by richer countries’ interests: China and France blocked timber sanctions for two years (until May 2003), reflecting their own import interests (Pugh and Cooper 2004; Malone and Nizschke 2005). While US sanctions on Burma have hit the local textile industry and deprived Burma of an estimated ten million dollars a year in foreign exchange, the Yadana Pipeline Project (with investment from US oil company Unocal) has been exempt and brings the Burmese junta an estimated annual revenue of 400 million US dollars (Seekins 2005).

Another problem is that the major powers have rarely managed to present a united front when it comes to sanctions. For example, when Western countries imposed sanctions on the FRY, Russia took up some of the slack (Huntington 1998). Somewhat similarly, western sanctions on Sudan in the 1980s were balanced by growing links with China and Malaysia as well as continuing ties with the Middle East. Western sanctions on Burma have been weakened by the country’s strong links with China, India, Thailand and South Korea (Rarick 2006; Holliday 2005). Ian Holliday notes that in these circumstances: ‘notwithstanding the optimistic assessments occasionally made by Burmese exiles and US think tanks, the chances of developing a watertight sanctions regime are close to zero’ (Holliday 2005: 333).

Another problem is that when conditionality is employed, a multiplicity of objectives has often diluted the impact. Opportunities to pressure abusive governments, as noted, have at various points been undermined by competing priorities such as the desire to court allies in the Cold War and then the ‘war on terror’ and the (enduring) desire to encourage policies of economic liberalisation. As a recent Conciliation Resources (Griffiths and Barnes 2008) report put it:

> ‘Incentives, sanctions and conditionality are deployed to further multiple and occasionally contending objectives, ranging from enforcement of international humanitarian law to counter-terrorism to promoting geopolitical alliances. These competing priorities and approaches within and among external actors make conflict resolution more difficult.’

In Guatemala in 2002, many external actors had some degree of interest in improving the government’s dubious human rights performance. At the same time, donor representatives stressed to me that the inflows of loan money from the major international financial institutions (IFIs) often outweighed inflows from bilateral and multilateral donors combined.

Since it is usually 'the next government' that has to pay back the loans, moreover, a large IFI loan can be particularly attractive. A careful study of EU policy and democratisation in Latin America (Youngs 2002: 127) concluded:

> 'the degree to which the EU prioritized a defensive commercial interest gave Latin American governments a riposte to European strictures on human rights and democracy that, in practical terms, weakened the EU's negotiating purchase… European policymakers worked only on a basic assumption that the extension of market structures was likely to be broadly favourable to the extension of democratic rights.'

Thus, the discourse that 'business promotes rights' (a close relative of the discourse that 'business promotes peace') may serve to fudge a prioritisation of commerce over rights by external actors.

Aid dynamics in Sri Lanka have mirrored those in Guatemala in important respects. Frerks and Klem (2006: 59) comment that the pro-Sinhala presidency of Mahind Rajapakse (from 2005) was able to gain considerable autonomy as a result of the diversity of its funding sources:

> 'Rajapakse's administration has capitalized on the fact that donors with the strongest political agendas (such as the European bilaterals) are not the ones providing the funds (such as the Banks [World Bank and Asian Development Bank] and Japan). It has made it clear to smaller donors that their meagre aid budgets do not give them enough clout to set the agenda.'

A related point is that release of funding may be labelled as conditional, and yet – for a variety of reasons – the conditions may not be enforced. Again, Sri Lanka illustrates the point. The World Bank and Asian Development Bank extended significant aid to Sri Lanka after the 2002 ceasefire, saying it was conditional on progress in the peace process, but when the parties did not comply with the stated conditions, these lenders proved unwilling to reduce their funding accordingly. Meanwhile, major bilateral donors' references to aid conditionality also faded away and there was little consensus on conditionality among these donors. The detailed study by Frerks and Klem (2006: 54) concluded that, 'Other factors, such as concerns about programmatic continuity, the tsunami response and Sri Lanka's graduation to middle income status, proved to have more effect on actual aid spending.' Withdrawing aid or investment tends to be a 'one off' instrument: once you have done it, what more influence do you have? It is perhaps understandable in this context that donors sometimes threaten a withdrawal of aid without ever 'making good' on the threat. The weak message this sends is notable, however.

When positive incentives for peace are promised or highlighted, it is important to consider the sums involved and how these compare with the sums available to would-be recipients (whether governments or rebel groups). Attempts to hold out a 'peace dividend' in Sudan, for example, should involve consideration of the revenues (especially from oil) that are now available to the government in what is arguably a middle-income country. There is also a danger (again relevant in the case of Sudan) of promising elements of a 'peace dividend' – for example, debt relief and access to the World Trade Organisation (WTO) – that are not actually in the power of the 'promiser' to bestow. It is always likely that other bodies –

including the IMF and the WTO – will state forcibly that they already have a procedure for these matters.

In Sudan, one key step in tackling abuses in Darfur in particular would be tough and targeted sanctions against those senior government officials who have been most responsible, including sanctions against companies owned and controlled by them (ICG 2004a). Yet targeted sanctions have been weak – sending a correspondingly weak message. In May 2006, the UN did impose sanctions on four Sudanese: two rebels, one government military man and one government-aligned militia *janjaweed* militia leader. Yet no senior political figure in Khartoum was targeted. In May 2007 the US government imposed sanctions on three individuals and 31 companies in Sudan, but the total number of individuals sanctioned was still only seven (US Department of State, 2008). One indication of UK priorities when it comes to targeted sanctions is given in a UK Treasury list of current 'asset freeze targets' (UK Treasury 2009). In the version updated on March 26, 2009, fully 396 individuals are listed under 'Al Qaida and Taliban' along with 112 organisations; only 4 individuals (and no organisations) are listed under Sudan.

Despite the relatively vigorous use of targeted sanctions in the context of the 'war on terror', a number of problems have arisen. First, sanctions raise certain human rights issues, since the criteria for inclusion are often unclear. Second, the often low costs of carrying out acts of terrorism make it difficult to tackle the problem by cutting off supplies of funds. A third problem is the motivation for terrorism. Where a military faction is motivated by the desire to acquire resources, sanctions might have a positive impact both on the ability to carry out violence and the motivation for doing so; with terrorism, sanctions will usually have little impact on the motivation.

When pressure on human rights is undermined by other priorities, this may not simply be because the pressure is weakened; it may also be because other priorities alter the local political economy in ways that inhibit peacemaking. In several cases, the state of the local economy – and a clumsy process of liberalisation – has helped to undermine a peace process.

The apparently damaging interaction of liberalisation and armed conflict has been noted above in relation to Israel. The case of Rwanda shows how the liberalisation of an economy may sit uneasily with a process of peacemaking and rapid democratisation. The NGO African Rights has argued that these reforms were undermined, in part, by resource shortages that were fostered by internationally generated austerity packages (African Rights 1994).

It is worth looking at the economic and social context of the peace process in Sri Lanka. Discussing the economic context for the breakdown of peace in the years following a 2002 ceasefire in Sri Lanka, the ICG highlighted the rise of Sinhala nationalism and an associated growing opposition to attempts to make peace with the LTTE. The 2002 ceasefire was actually followed by good levels of growth and by falling inflation (ICG 2007a: 19). However, below the surface there were damaging aspects to this growth. ICG quotes one analyst in South Asian Journal (Uyangoda 2004): 'for the rural masses, particularly the peasantry, there were no economic benefits that they could share. The peace dividend had not reached the poor and low income groups'. ICG (2007a: 19) added:

> 'The impressive economic development in the south mostly benefited only the immediate environs of Colombo. Combined with the reduction in government subsidies for staple goods, the less well-off faced rising living costs and were ripe for political mobilisation.'

The ICG report (2007a: 10) gave more details on the link between a nationalist revival and patterns of development:

> ‘Eventually LTTE intransigence, government incoherence and nationalist opposition ended the talks but the revival of Sinhala nationalism continued, boosted by neoliberal economic policies which brought no economic dividend to most people in the south; a flawed peace-through-development approach, which many Sinhalese saw as a way to channel foreign funds to the north and east; and the image of UNP [United National Party] leaders as elitist and Westernised. In this environment, the JVP [Janatha Vimukthi Peramuna] and the extremist National Sinhala Heritage Party (JHU) thrived… No party made more of its opposition to the CFA [Cease Fire Agreement] than the JVP. It mobilised support on the basis of the apparent threat to national sovereignty as well as disaffection with UNP [United National Party] economic policies.’

The JVP’s bases have been in the rural areas of the Sinhala-speaking south and centre, and the party has drawn support from those angered by regional disparities in development (ICG 2007a: 11). Frerks and Klem (2006: 76) noted:

> ‘Wickremesinghe’s regime [which lasted from 2001 to 2004 and supported a peace process] was closely tuned in with donor policies, but lacked political legitimacy among major segments of the southern poor. Donors were apparently pleased with the governmental façade of likemindedness, but ended up with an empty shell when a new regime was installed [in April 2004].’

The ICG report (2007a: 7-8) criticises the role of liberalisation over an extended period:

> ‘Expanded educational opportunities in the 1970s and 1980s raised the expectations of growing numbers of young people, who placed demands on the state that were impossible to meet in an economy based on volatile agricultural exports. The UNP’s decision in 1977 to liberalise the economy and diversify exports was an attempt to address this problem but the reforms further weakened the welfare state and helped fuel the turn to political violence by both Sinhala and Tamil youth. The state’s capacity – though not yet its size – has withered under the pressures of globalisation, poor economic management and military spending. Today the national budget is no longer capable of funding any significant development projects; almost all revenue goes to public sector salaries and pensions, debt payment and the military.’

Adding to the controversy around liberalisation, Brian Smith (2008) argues, was a perception, quite widespread among the Sinhala population, that the government was selling out to the LTTE in order to win the favour of donors and to get the go-ahead for an externally backed programme of privatisation.

The Danger that Peace will Fuel War in the Long Term

A fifth major danger with economic interventions – whether these involve withholding or providing help – is that they will contribute to an unsatisfactory peace that contains the seeds for future armed conflict. When economic initiatives are aimed at securing peace, it is important to ask what kind of peace we are talking about. Ambiguities in the term 'peace' are often considerable, and it will be useful to distinguish, for example, between short-term and long-term peace, between a negotiated peace and a 'victor's peace', between peace that is violent and exploitative and a peace that is non-violent and fair. An often neglected question is: 'peace in whose interests?', a question that would suggest itself more readily if we replaced the word 'peace' with the word 'order'. Who is being included – and excluded – in a particular peace settlement? To what extent is it an agreement between armed factions to the exclusion of most elements of civil society or most forms of political opposition? What forms of corruption are being institutionalised in a particular peace process?

There are three main problems with peace agreements that are relatively exclusive.

First, an exclusive peace may actually exclude armed groups that are sufficiently powerful to ensure that war continues. An extreme example was the 1997 'Khartoum peace agreement' in Sudan, an agreement that excluded the main rebel organisation (the Sudan People's Liberation Army) and predictably did not bring the war to an end. Also in Sudan, the May 2006 Darfur peace agreement was not accepted by two of the three rebel factions, and the Khartoum government then set about attacking and intimidating the non-signatories, in alliance with the one faction (under Minni Minawi) that had signed the agreement. The exclusion of the Arab militias from the current Darfur peace process is also potentially destabilising.

A second problem with relatively exclusive peace agreements is that they tend to reward violent behaviour, sending potentially damaging signals about the utility of violence. These signals may be acted upon by a variety of (excluded) groups within the country that is undergoing a peace process and perhaps in the wider region too. Incentives-based approaches tend to focus on the violent (who constitute the immediate problem) whilst often ignoring those who have not (or not yet) been drawn into participation in violent processes.

In Cambodia, the deal with elements of the Khmer Rouge under Ieng Sary can be seen as sending out potentially damaging signals on the acceptability of violence and corruption. Certainly, Amnesty International complained that the deal contributed to a climate of impunity. In Somalia and Liberia, civilian organisations have often opposed recognition of armed faction leaders in peace negotiations, arguing that this rewards their violence and boosts their prestige and their ability to attract a following (Armon and Carl 1996).

Some analysts suggest that during negotiations over the composition of an interim government in Afghanistan (starting in November 2001 in Bonn), the US (in concert with senior UN officials) actually strengthened the morale of, and support for, warlords (some of them described as 'paper tigers') at a moment when they could have been weakened (Hoffman 2004). It appears that concerns beyond 'human security' were influential, including the need to 'incentivise' and then reward allies in the Northern Alliance in the context of the 'war on terror' and the US-led war against the Taliban. One of the longer-term problems that resulted was that powerful warlords were able to withhold a great deal of customs revenue from the centre, making reconstruction (and restoring some kind of central authority) more difficult (Guardian, July 7, 2003). Again, there are precedents for this: for example, in Cambodia in the 1990s, the institutionalisation of corruption in the peace process helped to deprive the treasury of revenue, and this was subsequently a source of some instability (Le Billon 2000; Malone and Nitzschke 2005).

In Sudan, as noted, a near-exclusive international focus on Khartoum and the rebel SPLA – in line with a binary understanding of a north/south or even a Muslim/Christian divide – has tended to encourage a neglect of the interests of those northerners who oppose the current government. Some of these northerners (notably in Darfur) have turned to violence in an attempt to win the international recognition (and the place at the negotiating table) that has been accorded to the SPLA, for whom violent resistance seemed at last to have paid dividends (ICG 2003).

This process echoes earlier dynamics in the former Yugoslavia. Consider this assessment, by Alexandros Yannis (2003: 171), of the Dayton peace process in the former Yugoslavia:

> 'the Dayton Peace Accords, which in 1995 settled the conflict in Bosnia-Herzegovina, had a major destabilizing effect on Kosovo. On the one hand, the Dayton Accords left the question of Kosovo's political future unresolved, thereby exacerbating the simmering frustrations of Kosovo Albanians. On the other hand, the accords acted as a major disincentive for the continued pursuit of peaceful political solutions; the Kosovo Albanians could not fail to observe that the underlying logic of the peace accords was largely the ratification on paper of the ethnoterritorial gains made on the ground by the use of force. Consequently, the Dayton Accords strengthened the political commitment of radical Albanians to the use of force. Popular support for the militant program of the Kosovo Liberation Army (KLA) increased at the expense of the moderate strategy of Ibrahim Rugova…'

Many local people saw Sierra Leone's 1999 Lome agreement – bringing the RUF inside the government – as an unfortunate necessity, given the preceding attack on Freetown and the weakness of international protection. Mediators in Sierra Leone also used educational scholarships as an incentive for peace. But if necessity is the mother of concession, what kind of message does this send? An analysis of the various coups and renewed rebellions in Sierra Leone from the 1992 coup onwards suggest that a variety of groups have tried to use violence to force their way inside the existing system of rewards and benefits (Keen 2005a). A young man working on the demobilisation scheme commented in 2001:

> 'If you pay much attention to perpetrators without recognising the civilians or helping them like the ex-combatants, you are sending another signal. There might be another uprising… Civilians will get up and say the people who caused this havoc, they are now living big.'

A third problem with exclusive peace agreements is that the underlying causes of violence are likely to remain unaddressed; excluding large sections of civil society will tend to prolong, or even exaggerate, their grievances. Economic initiatives may help to cement a peace agreement between armed factions (perhaps by providing the right mix of incentives and disincentives), but a key danger is that deep fissures in the society may simply be 'papered over'.

Some degree of accommodation to armed factions and warlords may be necessary: why else would they agree to lay down their arms?[7] But going too far in this direction will deepen impunity, damage equity and store up trouble for the future. This is one of the problems with Collier's emphasis on greed rather than grievance. Even insofar as greed (or the desire for violent economic gain) is driving a conflict, moreover, it will be important to look at impact of long-term grievances in fuelling this 'greed' (Keen 1998, 2005a, 2008; Ballentine and Sherman 2003).

In practice, armed actors who have been able to use violence to secure control of production, trade and emergency aid in wartime may be able to carve out for themselves a degree of control over production, trade and development/reconstruction aid after a peace settlement (Keen 2001; Andreas 2005). When civilians fall victim to an exclusionary peace agreement that institutionalises corruption, this may even, on occasions, represent an extension of collaborative warfare that targeted and exploited civilians (Keen 2001). By consolidating exploitation and corruption, an exclusive peace agreement may store up problems for the future.

In the short term, consolidating peace may depend on accommodating political factions with government positions; in the longer term, reducing inequalities will be important (Woodward 2002). Frances Stewart emphasises 'horizontal inequality' as a key driver of civil wars. Horizontal inequality refers to group perceptions of inequality; it may be based on inequality between regions, ethnicities, religious groups or classes (Stewart 2008). In Nepal, rebellion seems to correlate geographically with inequality (Murshed and Gates 2005). If horizontal inequality is ignored in development strategies – or simply reinvented in a reconstruction – further armed conflict will be likely.

In Tajikistan, a considerable degree of stability has been brought about by a peace process that effectively 'bought off' a range of warring factions, not least with the benefits of a privatisation programme. However, the entrenchment of corruption and of oligopolistic markets has raised concerns about the long-term sustainability of this peace (Torjesen and MacFarlane 2007). In the former Yugoslavia, the Dayton peace agreement can be seen as rewarding local elites who had already rewarded themselves through violent accumulation in wartime (Andreas 2005). In Sierra Leone, the controversial appointment of RUF leader Foday Sankoh as vice-president and head of a new mineral resources commission (under the 1999 Lome agreement) was profoundly offensive to many Sierra Leoneans: it looked even more distasteful when the RUF returned to war in 2000 (ICG 2004b). What looks to some people like realism and pragmatism may look to others like appeasement.

The 1972 Addis Ababa agreement that ended Sudan's first civil war included important concessions to the southern rebels (such as incorporation into the national army); but it did not produce the kind of accountable political system that was capable of remedying the extreme underdevelopment of the south or the marginalisation of significant groups within the north. When President Nimeiri and his successors courted discontented elements in the west during the 1980s, the south was left without protection. In these circumstances, the limited economic rehabilitation in the south served merely to regenerate resources (notably cattle) that could be raided by disgruntled northern pastoralists allied to the government.

[7] Antonio Giustozzi (2004) has highlighted how Afghan warlords have tried to use peace agreements to become 'respectable' and to consolidate their ill-gotten gains; indeed, this impulse may even help to explain why peace becomes possible.

Sudan's 2005 Comprehensive Peace Agreement (CPA) also carried the seeds of major problems in relation to opposition groups in the north. The agreement excluded the opposition National Democratic Alliance, and the CPA allocated only 14 percent of positions in the national and state executive and legislative branches to the northern opposition (compared to 52 percent to the National Congress Party and 28 percent to the SPLM) (ICG 2006a). Opponents of the current regime have included those Muslims who hoped (wrongly as it turned out) that common religion could be a basis for common citizenship; many in the north also fear that they will now have no option but to become part of an Islamic state, particularly if the south secedes (Johnson 2003). Key grievances in the North include: first, years of neglect by the government; and second, the loss of access to land (by both smallholders and pastoralists) as a result of the expansion of Sudan's large semi-mechanised farms (Johnson 2003; Keen 2008).

Concerns about a non-inclusive peace process have also been raised in Sri Lanka, where the 2002 ceasefire agreement included the government and the LTTE but largely excluded southern political elites, non-LTTE Tamil parties and the Muslim community (ICG 2006b). Although the main 'spoilers' in Sri Lanka have arguably been the government and the LTTE themselves, the willingness of opposition politicians to sabotage the peace initiatives of their rivals has been a long-standing and damaging phenomenon in Sri Lanka.

Peace may fuel war in the long term when key actors pursue a pattern of development that has already proven to be a cause of widespread grievance and armed conflict. Patterns of growth in Sudan from the 1970s onwards have favoured mechanised and semi-mechanised agriculture (with much of the production being for export); this pattern of growth proved quite consistent with very widespread poverty, with large regional disparities in income and access to services, with the export of large quantities of grain during famines and with the exclusion – often with a thin veneer of legal justification – of many farmers and pastoralists from land they have traditionally used (Johnson 2003; De Wit 2001. Those excluded, moreover, have not always meekly accepted their fate. Some were attracted to the rebel SPLA, as in the case of some Nuba farmers displaced by semi-mechanised farms in Southern Kordofan. A major dynamic in the second civil war (1983-2005) was Khartoum's attempt to divert the grievances of western Sudanese pastoralists (specifically the *Baggara*) by encouraging them to attack southern Sudanese (and to benefit from access to grazing land and cattle and from the hyper-exploitation of southern Sudanese labour) (Keen 2008).

Linked to the dangers of 'reconstruction' is the word 'reintegration'. As Mats Utas (2005: 150-1) noted in relation to Liberia:

> 'Marginalisation appears to be the norm for a large proportion of young urbanites. Thus re-marginalisation and not reintegration is the natural outcome awaiting most ex-combatants… Enlistment in the armies, in the first place, was envisaged as a move away from the margin and into the centre of society – a means of integrating in society, even if by force.'

Another problem with simply rebuilding an economy is that people have often moved on in their thinking – and expectations – as a result of a war. Migration to urban areas can shift expectations, whilst exposure to violence may itself raise levels of political awareness. One study of Sierra Leone (Bellows and Miguel 2006) found that areas subjected to high levels of violence exhibited higher levels of political mobilisation, for example in voter registration and attendance of community meetings.

It may be that donors have an unusual degree of influence in the aftermath of a war, because the government is unusually short of funds (Pastor and Boyce 2000). Some suggest that this is an opportunity to press for reform and for reductions in corruption. In post-war contexts (as in pre-war and even wartime contexts), the IMF and World Bank have tended to push for trade liberalisation, for cuts in bureaucracy and for severe limits to social spending (Keen 2005b; Woodward 2002; Hanlon 2005). In Africa in particular, liberalisation packages have a tendency to encourage countries back to their 'historical' comparative advantage in primary products (Mkandawire 2001). Yet East Asian economic success was linked to industrialisation and to the protectionism and state intervention that made this possible (Arrighi 2000; Wade 2003). If short-term benefits are not experienced, the promised long-term benefits of liberalisation may be relatively meaningless; indeed, renewed conflict may mean that these long-term benefits never have the chance to materialise. Liberalising trade is likely to be detrimental to government budgets where states rely heavily on import taxes (Hesselbein et al 2006). Collier et al. (2003) argue, sensibly, that substantial aid during that first decade is crucial, and that it is unhelpful for the UN typically to see post-war interventions as two-year operations.

The dangers of reinventing the causes of a war are illustrated in Sierra Leone. For example, Joseph Hanlon (2005: 461) notes that in post-war Sierra Leone, 'IMF spending caps prevent the essential expansion of education, and require civil service salaries to be so low that civil servants need additional income.' Liberalisation is being reinvented as a policy prescription. Yet policies of liberalisation that were pushed by the IFIs in the 1980s and 1990s seem to have fuelled conflict in four main ways: first, by encouraging inflation, drastic devaluation and the creation of private oligopolies when state enterprises were privatised (the latter reinforcing the vested interests opposing the end of one-party rule); second, by reducing key state services such as education and health, and thereby fuelling grievances; third, by fuelling corruption as real state salaries were cut (corruption that eventually included soldiers' collaboration with rebels); and fourth, by taking attention away from soldiers' abuses under the military government of 1992-96, a government that was actually praised and rewarded for its 'financial orthodoxy' and liberalisation agenda (Keen 2005a, 2005b).

The effect of socially inclusive policies in promoting growth in post-war countries seems to have been significantly greater than the effect of macroeconomic policies (Collier et al. 2003). Aid usually diminishes during a civil war, but donors usually increase aid substantially in the first couple of post-war years (when publicity and goodwill are high); however, aid then tends to fall to below normal levels towards the end of the first decade.

Conclusion: Dilemmas and Principles

Some Dilemmas

It would be an understatement to say that securing the right kinds and the right mix of incentives and disincentives for peacemaking is not easy. Donors often face extremely difficult dilemmas, and five of these are highlighted below.

- Major donors could be forgiven for thinking that when it comes to sanctions, they are damned if they do and damned if they don't. A strong case can be made that sanctions tend to deepen human suffering in the targeted country whilst failing to undermine (perhaps even reinforcing) abusive regimes. A growing awareness of these dangers fed into a more recent inclination towards 'post-conditionality' and long-term partnerships with recipient governments.

But we have seen that these too have their dangers, notably when such governments engage in widespread human rights abuses. This reinvents some of the dangers with the 'blind loyalty' of superpowers during the Cold War.

- Rewarding violent parties for peacemaking has many hazards: it may reinforce the violent; it may send dangerous signals about impunity; and it may institutionalise corruption and perpetuate grievances. On the other hand, not rewarding armed factions (and perhaps threatening to punish them) may give them little reason to renounce violence.
- In the absence of far-reaching social and political reforms, the underlying causes of violence may remain unaddressed. On the other hand, if reforms are too precipitous, this may prompt a violent backlash.
- In the long-term, growth – and associated private sector investment – seems to correlate with a lower risk of civil war. But processes of growth – and particular patterns of private sector investment – have often been highly inequitable and have often contributed to armed conflict.
- If donors take a 'hands off' approach, they may be seen as neglectful; if they take a 'hands on' approach, they may be seen as neo-colonial. Inaction may leave major local power inequalities to run their violent course; whilst vigorous pressure from outsiders may undermine the more 'moderate' local politicians and strengthen the nationalists and hardliners.

Some Principles

How then to negotiate this treacherous terrain? It would be foolish to attempt to provide a checklist from which 'the right answer' could be mechanically derived. It would be better to give an indication of the issues that would need to be considered when weighing up the options for economic interventions (and associated political initiatives). In this connection, it may be helpful to articulate some general principles that are likely to be useful for those thinking about ways of intervening to resolve or ameliorate armed conflicts.

1. There are no generic, easy or quick solutions; any constructive initiative will need to be context-specific, to be based on a thorough understanding of the conflict in question, and to be formulated and applied over a reasonable time-frame. A good doctor will investigate the disease and will not prescribe the same remedy for all her patients.
2. 'Economic interventions' on their own are unlikely to create peace (and may even be counterproductive); however, if used skilfully in association with attention to political processes, they can make a valuable contribution. Economic interventions cannot be a substitute for politically informed interventions or analysis. Good political analysis can help minimise the risk that economic initiatives will prove either ineffective or counterproductive. Taking politics seriously should include tackling the grievances that have fuelled violence and the agendas of a range of actors (not only the 'rebels') who may be interested in the perpetuation of various kinds of violence.
3. Achieving a lasting_peace is likely to depend on achieving an inclusive_peace that addresses some of the most important root causes of violence. Again, this is likely to take time, and will need to be encouraged by the international community over a prolonged period. While it is likely to be difficult or impossible to exclude warlords and faction leaders from peace negotiations, serious attempts to recognise civilian

groups and a wide range of political forces offer a better chance that peace will not simply institutionalise corruption, violence and impunity. It is important to ask to what extent an old dysfunctional mode of development is being revived in the aftermath of a war. In other words, there are grave dangers in reinventing a wheel that has already fallen off. In most contemporary conflicts, tackling underlying causes also means rebuilding the state. Weak states breed not only widespread grievances but also the likelihood of a 'counterinsurgency' that will degenerate into the abuse and exploitation of civilians.

4. There is a need to be realistic. Rewarding certain warring parties may be a precondition for peace. Rushing to democracy at war's end may prompt a violent backlash.
5. It is helpful to try to anticipate negative side-effects of the intervention, and guard against them. Again, a good doctor would not neglect this question. There is a temptation to rush to solutions, saying 'we need sanctions' or 'we need more development aid' or 'we need more private sector investment'. Whilst all of these things may sometimes have a role, it is important to think about the impact on particular societies of particular kinds of sanctions, and particular kinds of development aid, and particular kinds of private sector investment. This will help in guarding against negative effects.
6. Economic context is likely to be important in a peace process. Facilitating the right kind of economic context is a long-term endeavour and rushing to liberalisation may be actively counterproductive. Economic policies need to keep a sharp eye on the shifting constituency for peace (or war) within the conflict-affected country. A lot of emphasis has recently been put on the political economy of armed conflict; the political sociology of armed conflict seems to have been damagingly neglected.
7. Government actors may take advantage of a conflict to justify political repression, exploitation of civilians, or both. In these circumstances, peacemaking is not simply a question of how to bring the enemy to heel, but involves analysis of a complex system of violence and a questioning of how the enemy is being defined.
8. The tension between the 'human rights' agenda (punishing abusers) and the 'realist' agenda (which may amount to rewarding_abusers, albeit for behaving more peacefully) needs to be recognised, and it will be important to support context-specific combinations of the two approaches. As with economic instruments, the best hope may lie in a pragmatic combination of sanctions and rewards: the threat of punishment probably needs to be combined with the pragmatic provision of amnesty. One useful approach is a 'transitional justice' approach, which includes the use of truth commissions and of material compensation for war victims, whilst keeping the option of judicial action open in the longer term, when abusers may have less power to disrupt the peace (perhaps having been disarmed).
9. It will be important to take a holistic view of motivations and incentives. Along with economic and political agendas, psychological factors (and the psychological functions of violence) also have to be taken seriously. This means taking a holistic view of motivations and, correspondingly, of incentives. Whether for a warlord or an ordinary fighter, respect may be a more fundamental goal even than money, and money may be important for the respect it implies or facilitates.
10. In many aspects of government a common pattern is for politicians to announce a particular policy tool or initiative, whilst civil servants work hard to show that this tool

can be made to work. This seems to apply strongly in the case of 'economic initiatives', and there is even a danger that those working on particular countries neglect their existing projects as they try to make specific plans in line with this favoured policy tool. Meanwhile, other approaches may be damagingly marginalised. In the case of conflict resolution and mitigation as in other areas, a major risk is that the tool drives the analysis, rather than the other way round. Elements of this approach were detected in the influential Portland Trust report on Northern Ireland and the Balls/Cunliffe report on the Middle East.

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