Resources and conflict in the Asia Pacific region

Economic strategies for conflict transformation: from development economics to peace-building economics

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It is a commonplace to read that a contemporary conflict is the product of ancient ethnic hatreds, tribal rivalries, religious intolerance or the release of latent nationalistic aspirations. These descriptors ascribe readily comprehensible labels to what is, in fact, an extremely complex phenomenon. For those seeking to intervene to prevent armed conflict or to reconstruct war-torn societies, there are inherent risks in applying such simplistic labels, since they may lead to a belief in simple solutions. In reality, violent conflict is a multi-layered, multi-dimensional phenomenon—as well as a rapidly evolving discipline within the field of development practice. Understanding the complexity of conflict is crucial not only to chart an appropriate course from violence to peace but also for development practitioners to minimise potentially harmful impacts of aid interventions.

Ethnicity, religious affiliation and nationalism may indeed be harnessed or mobilised by conflict forces but they are insufficient, by themselves, to explain fully the causes of violent conflict. Violent conflict can be better understood in sociological terms, that is, a breakdown in societal relationships, and in terms of familiar human traits, such as greed, grievance and (arguably, most importantly) opportunism. By approaching the conflict-development nexus from these perspectives, development practitioners—whether from political, social or economic backgrounds—will be better able to design conflict-sensitive interventions and lay the foundations for a stable, enabling environment for the resumption of development pathways and eventual achievement of national development goals.

This paper does not, however, provide a blueprint for conflict transformation—each context is very different and accordingly approaches must be adaptable. Central to identifying suitable approaches to preventing, reducing and resolving conflict in any society, however, is a comprehensive understanding of peace–conflict dynamics. Here, a sociological framework is outlined for analysing these dynamics in conflict-prone societies. By applying this or other relevant frameworks for conflict analysis, development practitioners will be better able to design, monitor and implement conflict-sensitive development cooperation programs. Specifically, the paper discusses some broad principles and challenges confronting economists in conflict-prone societies and offers some options for tackling these problems.
Conflict and development

Poverty alleviation and sustainable development are the core business of national governments, development practitioners and donor agencies worldwide. Notions of equity, access to opportunity and respite from abject poverty abound in the North–South discourse of development practice. Economic growth has been widely championed as the engine of development in many quarters, while violent conflict has been regarded as a retardant of growth and development—an obstacle to be overcome, but nevertheless somewhat peripheral to the immediate concerns of development practitioners. During the 1990s, however, it became apparent to many within the industry that the relationship between the incidence of poverty and under-development on the one hand and violent conflict on the other was so intrinsic that more proactive approaches to conflict reduction and transformation were required by development practitioners themselves. These approaches involved closer and more strategic partnerships with security and peace practitioners.

Central to the contemporary discourse is awareness that poverty undoubtedly represents a significant grievance on which violent conflict can foment, that is, inequitable access to resources and services and poor economic opportunity can be powerful generators of discontent leading to civil unrest and armed conflict. Poverty also increases vulnerability when conflict does occur, since the weakest and most marginalised members of society have less resilience to crisis-related shocks. Violent conflict therefore generates specific forms of poverty through destruction of livelihoods and services and through diversion of resources from poverty alleviation initiatives. Indeed impoverishment of an enemy, for example, through forced population displacement and ethnic cleansing, may be specific objectives of one or other party to the conflict, despite the provisions of international humanitarian law that expressly forbid such strategies.

Security in these terms, then, represents more than preservation of territorial integrity; it represents a broader conceptualisation based on the physical safety and well-being of individuals. The OECD Development Assistance Committee describes security as

...an all-encompassing condition in which people and communities live in freedom, peace and safety, participate fully in the process of governance; enjoy the protection of fundamental rights; have access to resources and the basic necessities of life; and inhabit an environment which is not detrimental to their health and well-being (Organisation for Economic Cooperation and Development 2001:38).

The term ‘human security’ has been coined to capture this notion of an expanded definition, although academic commentators and practitioners continue to debate the precise parameters of the concept.

It is also apparent that ill-conceived aid interventions can have detrimental peace–conflict impacts. Development is, after all, concerned with change processes, which are inherently conflictual. The resources that donors bring to fragile communities may too easily become the source of competition, tension and conflict. To understand the role of aid in conflict transformation, then, it is necessary to frame approaches to conflict in terms of developmental challenges rather than simply humanitarian responses. As the UN Secretary-General noted in his 2001 report on the prevention of armed conflict,

...experience shows that development will be sustainable only if development strategies incorporate concern for their
impacts on tensions that could lead to violence and promote measures to counteract such tensions (United Nations 2001:para. 99).

AusAID’s peace, conflict and development policy

Many institutional donors, including the Australian Agency for International Development (AusAID), have become increasingly aware of the pervasive threats that conflict represents to achievement of core development goals. AusAID’s approach to conflict prevention and peace-building is guided by the Peace, Conflict and Development Policy (AusAID 2002), which draws in turn on directions outlined in the OECD Guidelines on Conflict, Peace and Development Cooperation (OECD 2001). Both documents promote a significant shift in approaches to disbursement of aid in conflict-prone settings, that is, from approaches that principally work around or in conflict to approaches that seek to work with conflict. They recognise the adverse ripple effects of protracted (or even brief) conflicts on hard-won development gains and the enormous drain on resources involved in reconstructing societies emerging from conflict. Both policy documents seek to institutionalise peace–conflict considerations into development practice by mainstreaming conflict prevention/peace-building approaches within more traditional development approaches.

The peace, conflict and development policy highlights the imperative for enhanced analysis of the underlying and proximate causes of conflict, flexible mechanisms for disbursement of aid, and a focus on preventive programming in situations of rising tension and in the aftermath of violent conflict. Crucially, however, peace-building frameworks must be informed by a comprehensive understanding of political, sociocultural and security drivers of conflict as well as the economic triggers. In other words, despite (or perhaps because of) their inherent complexity, it is essential to ‘map’ conflicts including various stakeholder interests. AusAID and other donors are working to develop appropriate methodologies and suitable tools to improve our analytical capacities. The ‘toolbox’ attempts to ‘unpack’ the inherent complexity of violent conflict, in order to identify opportunities to support conflict-transformation processes and to avoid conflict-creating impacts of donor activities.

Violent conflict is a multi-faceted phenomenon underpinned by a multi-layered, multi-dimensional history of interwoven grievances, discrimination and inequity involving multiple and often fluid formations of actors with diverse agendas and goals. Under these circumstances, it follows that conflict prevention and peace-building initiatives must also be multi-tracked in their approach. The first lesson for economists, then, is that strategies for addressing economic drivers of conflict must be embedded within a holistic peace-building framework and not be conceived as stand-alone interventions. Political, socioeconomic, security and developmental strategies must be merged into an overarching strategy with spatial and temporal characteristics that address grievances and incentivise peaceful transformations.

Development practice has also taught us that single layer interventions that rely on the ‘trickle-down’ effect have, at best, a chequered history. The second lesson is that peace-building strategies must involve multi-layered interventions that define

- the position of the state within the increasingly globalised world (macro-level)
- internal relationships between government and the rest of society, civil-

...
military relationships, and so on (meso-level), and

- individual and community relationships (micro-level).

Economic aspects of conflict

The relationship between incidence of violent conflict, injustice and poverty is incontrovertible. A recent paper from the World Bank described conflict as representing ‘development in reverse’ (International Development Association 2004). Clearly, violent conflict and economic prosperity are opposing forces. Conflict retards economic development by depriving displaced populations of property and belongings, destroying livelihoods and physical infrastructure, disrupting markets, inhibiting investment opportunities, traumatising and maiming people and thus incapacitating their productivity, and diverting scarce resources to military expenditure, and so on. On the flipside, economic grievances represent part of the bedrock on which violent conflict can foment. Economic marginalisation destroys esteem and resilience, and economic discrimination is a rallying point for disaffected groups, particularly youth. Economic depredation begets desperate and violent acts ‘to make ends meet’, and macroeconomic failure can hasten the demise of democratic governments, paving the way for more authoritarian forms of government or, alternatively, state failure.

Tensions have flared between central governments and traditional landowners over revenue generated from the oilfields of southern Sudan, Ogoniland (Nigeria), Cabinda (Angola) and, closer to our shores, in Aceh (Indonesia). The mineral resources of West Papua and Solomon Islands have similarly fuelled violent conflict. Access to land—the source of economic and spiritual sustenance for many societies in the Pacific and elsewhere—has been the source of confrontation and dispute and, arguably, the most intractable grievance to be resolved in post-conflict societies. In the future, wars may be fought not only over highly prized mineral and land resources but also over access to critical resources for human survival. Many commentators have highlighted the strategic importance of water resources in an increasingly populated and damaged natural environment. Several have proffered the opinion that competition for depleted water resources will become the driver for twenty-first century conflicts.

Research by Paul Collier and Anke Hoeffler at the World Bank has, however, challenged the popular belief of a direct correlation between grievance and conflict. Collier and Hoeffler (2000) found a much stronger correlation between the incidence of civil war and the extent of natural resource rents that may be extracted by profiteers from state collapse and chaos. Their research, based on statistical analysis of 78 large civil conflicts between 1960 and 1999, found that ‘greed’ was a more powerful primary initiator of violent conflict than ‘grievance’ but that conflict-generated grievances are likely to come into play as secondary drivers to perpetuate and sustain conflict.

The impact of predatory rent-seeking behaviour by individuals, corporations or states on stability and security is evident across the developing world. The ‘resource curse’ has existed in countries such as Democratic Republic of Congo, Angola and Sierra Leone, which, although they contain abundant deposits of (predominantly mineral) resources, have descended into a spiral of violence that has impoverished large proportions of the population. Closer to Australian shores, we have seen Papua New Guinea and Solomon Islands struggle to realise the vast economic potential of rich mineral and timber resources and fishery
stocks, with dire consequences for national development goals. State resources have been plundered for private gain by a small, unaccountable élite while the majority are left to scramble for the scraps. Unlicensed land grabs, licensed acquisition of communally owned resources and the detrimental environmental impact of unregulated logging and mining have driven deep rifts into fragile societies, alienating communities from the state, traditionalists from modernists, and rural from urban populations.

Access to the economic spoils of war is also a powerful incentive to perpetuate armed conflict. Exploration and mining rights have been sold to finance the supply of weapons that sustain economic and political power. Timber and mineral resources have been plundered under the shadow of armed conflict to further enrich warlords. ‘Conflict diamonds’ and ‘conflict timber’ have become familiar terms in the lexicon of strategic analysts seeking to explain the logic of conflict in resource-rich countries. As the OECD Development Assistant Committee Guidelines note ‘[p]owerful groups, businesses and individuals, using violent and non-violent means, can acquire a vested interest in sparking and perpetuating violent conflict’ (2001:13). This is critical for an understanding of violent conflict—there are stakeholders (‘spoilers’) for whom peace is a threat to their interests, for example, black marketers, arms dealers and others who derive power and economic benefit from the gun.

According to the Collier and Hoeffler greed–grievance model of conflict, grievances can be significant in marshalling conflict but greed has provided the prize. They argue that whether resource wealth brings prosperity and social development or leads to a downward spiral of corruption, violence and counter-violence ultimately depends largely on the prevailing economic policy and governance systems. But why have greed and grievances, which are common to all societies, resulted in violent conflict in some but not others? The missing ingredient is opportunity.

**Society and conflict**

To further understand this argument, violent conflict must be considered in terms of weakening societal relationships. Society is, of course, comprised of a complex web of dynamic relationships. For the purposes of this discussion, let us consider the three primary spheres—the state, private sector and civil society—recognising that within each there is further diversity and tension and therefore potential for conflict. These spheres represent elements of a governance matrix. In a healthy, functioning society, they exist more or less in equilibrium with distinct roles as well as areas of overlapping interests. This convergence ensures that violent confrontation is largely minimised. In fragile states, however, these relationships weaken, creating tensions between and within the various elements of society. As the bonds between state, private sector and civil society weaken and fracture, opportunities are created for warlords, conflict entrepreneurs and criminal elements to occupy the voids created between the various elements of society. In the ensuing mayhem, the weakest are most vulnerable to the type of atrocities and war crimes that have characterised many of the conflicts of the late twentieth and early twenty-first centuries. Unfortunately, however, once they are in place, the warlords, criminals and conflict entrepreneurs are very difficult if not impossible to dislodge without a UN Chapter VII-type international humanitarian intervention.

This model of violent conflict raises three important issues for the theme of this paper. First, it is critical to recognise violent conflict
in terms of the opportunities that weak governance mechanisms provide for would-be spoilers to collectivise and mobilise identity-based grievances. It is only by moving beyond simplistic labels—such as ‘ethnic conflict’, ‘religious conflict’ and ‘tribal conflict’—that we will be able to understand how the ubiquitous human traits of greed and grievance actually translate into violent conflict in some societies while they appear to be managed non-violently in others (see also World Bank 2003).

Second, violent conflict represents a breakdown of societal relationships across all three spheres. Official peace processes that focus principally on Track One relationships (that is, sociopolitical dialogue within the state sphere) with scant reference to Track Two relationships (that is, peace-building within other elements of society) may miss vital opportunities to promote and consolidate peace. Indeed a key finding of the Reflecting on Peace Practice Project, supported by AusAID among others, was that inter-track linkages between sociopolitical-level dialogue and community-level dialogues are invariably tenuous and this has served to weaken the overall durability of many peace processes (Anderson and Olsen 2003).

Third, there are significant interests at stake for the private sector in conflict-prevention strategies. Undoubtedly, some private sector actors are in league with the spoilers, but for most corporations and private enterprises violent conflict is a costly constraint on their activities. Assets are destroyed and idle plant must be maintained. The cost of ensuring the security of assets increases exponentially and insurance premiums increase. Businesses are exposed to extortion, and nervous shareholders withdraw their investments. Berman (2000) notes five critical factors influencing corporate activity in conflict-prone societies

- the geographic extent of conflict
- severity of conflict
- government and opposition policies
- sector of industry (that is, extractive industries appear to be most conflict-prone)
- investment structure.

The private sector therefore has a vested interest in stability, peace and conflict prevention. Yet very few private sector actors have appeared ready to move beyond asset risk analysis and management to consider what they might be able to do to prevent or reduce conflict (see also Nelson 2000; Campell 2002).

**Peace and development**

While peace and development appear on the surface to be mutually reinforcing, at times there may be a tension between development and peace-building objectives, requiring development practitioners to make difficult choices about their approaches in fragile, conflict-ridden societies. In particular, the role of economic development in sustaining peace and transforming conflict is poorly understood. However, the somewhat formulaic approach that has been applied to many post-conflict recovery programs—typically involving elements for macroeconomic stabilisation, livelihood support and income generation—may not fully engage the private sector in preventive action and may even miss critical opportunities to promote broader stabilisation goals. To be effective, economic interventions must be located within broader peace-building frameworks embracing political, socio-cultural and security dimensions. Rehabilitation of conflict-affected societies demands integrated approaches rather than more traditional ‘silo’ approaches.
But what does this mean in practice? Post-conflict recovery programs that focus primarily on ‘the issues’ without seeking to promote attitudinal and behavioural changes are unlikely to achieve durable outcomes. Tangible measures to address inequity and inequality, to improve access to services/resources, to generate employment and to provide other ‘peace dividends’ must be infused with measures to inculcate peace into the mind-sets of those in conflict. The importance of attitudinal and behavioural modifications was succinctly captured by a Solomon Islander during the February 2004 UNDP Peace and Conflict Development-related Analysis (PCDA): ‘We have taken the guns out of the hands of the youth but we have not yet taken the guns out of the minds of youth’. Removal of weapons gets rid of the means but not the reasons for waging conflict. Within the economic sphere, the attitudinal changes and behavioural modifications necessary for conflict transformation are captured, on one hand, by preventive actions encapsulated in concepts such as corporate governance, corporate social responsibility, and within employer-labour relations, and on the other hand by reductive actions such as the Kimberley Certification Process3 and the Peace Diamond Alliance.4

Finally, it is worth considering the question that perhaps should have been asked at the outset: ‘What is peace?’ It was readily apparent during the PCDA mission to the Solomon Islands, for example, that there are very different concepts of peace existing in parallel and therefore benchmarks for achievement of peace will vary accordingly. For the Regional Assistance Mission to the Solomon Islands (RAMSI), peace has (to date, at least) largely been measured in terms of security, in a law-and-order sense. For the Solomon Islands government, peace appears to be defined in terms of governance practices, while within the business community peace is perceived in terms of the investment environment. On the other hand, traditional leaders have spoken in terms of traditional reconciliation processes while church leaders have referred to peace in spiritual terms. Pointedly, some individuals have spoken of an external security provided by RAMSI but have also said that they do not yet feel an ‘inner peace’.

Inevitably different understandings of peace will lead to different programming responses. However, the conceptualisation of peace as a more deep-seated sense of well-being reflects the imperative to tackle root causes of the tensions, not just the more proximate causes such as weapons, criminality and graft. This action must be founded on a comprehensive understanding of peace-conflict dynamics. Critically, ownership of ‘the construction of structures of peace and the de-construction of structures of violence’ (Bush 2003:4) must be vested in those that are most affected by violent conflict. In Solomon Islands, as elsewhere in societies emerging from violent conflict, this is likely to involve capacity building in all three spheres—the public sector, the private sector and civil society. At the same time it will require fundamental contradictions arising during the transition from a society embedded in traditional culture to a society that is able to accommodate the challenges of an increasingly globalised world, to be acknowledged and addressed.

Conclusion

The role of business in supporting or subverting peace has become an area of emerging interest for aid workers. On the whole, the private sector sustains negative impacts by violent conflict and therefore has a keen interest in efforts to reduce and eliminate its incidence. However, the private sector itself can exercise significant influence
on peace-conflict dynamics and can play an important role in conflict transformation processes. This will require not only a new level of partnership between the private sector and other elements of societies in conflict but also a shift in the relationship between the private sector (both offshore companies and local businesses) and more traditional peace-building actors.

In March 2004 the international non-government organisation, International Alert, called for an extension of conflict-sensitivity mainstreaming to address development policy that affects the private sector—including macroeconomic reforms, private sector development, support to SMEs and micro-credit as well as engagement of local actors in peace-building activities (International Alert 2004:5).

Conflict sensitivity calls for attitudinal change and behavioural modification as well as capacity building and infrastructure inputs. For the private sector and economists tasked with economic revival of conflict-affected societies this will involve a shift in traditional mindsets from ‘development economics’ to ‘peace-building economics’.

Notes

1 The state is considered here to include the security sector apparatus. In a society in equilibrium, the security sector is subject to civilian oversight by the competent authorities. In many conflict-affected societies, however, the security sector separates from the ‘state sphere’ and operates independently of government or with tacit concurrence of some members of the state only.

References


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