

Overview

MOST WARS ARE NOW CIVIL WARS. EVEN though international wars attract enormous global attention, they have become infrequent and brief. Civil wars usually attract less attention, but they have become increasingly common and typically go on for years. This report argues that civil war is now an important issue for development. War retards development, but conversely, development retards war. This double causation gives rise to virtuous and vicious circles. Where development succeeds, countries become progressively safer from violent conflict, making subsequent development easier. Where development fails, countries are at high risk of becoming caught in a conflict trap in which war wrecks the economy and increases the risk of further war.

The global incidence of civil war is high because the international community has done little to avert it. Inertia is rooted in two beliefs: that we can safely “let them fight it out among themselves” and that “nothing can be done” because civil war is driven by ancestral ethnic and religious hatreds. The purpose of this report is to challenge these beliefs.

Let Them Fight It Out among Themselves?

PART I INVESTIGATES THE ECONOMIC AND SOCIAL COSTS OF civil war. The costs the active participants in combat bear account for only a trivial part of the overall suffering. The damage from a war ripples out in three rings. The inner ring is the displace-

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ment, mortality, and poverty inflicted on noncombatants within the country, and this is the subject of chapter 1. The United Nations High Commission for Refugees is currently assisting more than 5 million internally displaced persons as a result of civil war. Many of these displaced people are forced to move to areas where the partial immunity they have acquired to malaria is no longer effective, and so their mortality rate rises. By the end of the typical civil war incomes are around 15 percent lower than they would otherwise have been, implying that about 30 percent more people are living in absolute poverty. However, the end of a civil war does not end the costs arising from it. Many of the economic costs, such as high military expenditure and capital flight, persist for years after the conflict. So too do heightened mortality and morbidity rates. Approximately half of the loss of disability-adjusted years of life expectancy due to a conflict arise after it is over. These economic and health costs of conflict are not usually compensated by any postconflict improvements in economic policy, democratic institutions, or political freedom. On the contrary, all three usually deteriorate. The typical civil war starts a prolonged process of development in reverse.

Chapter 2 focuses on civil wars' spillover effects beyond the country. The second ring of suffering affects neighboring countries. Refugees stream across borders carrying and spreading the infections to which they have been exposed; for example, for every 1,000 international refugees the host country sees around 1,400 additional cases of malaria. Neighboring economies also suffer in other ways: growth rates are significantly reduced and neighbors increase their military expenditure in a chain reaction of local arms races. Often the costs of a civil war to the combined neighboring countries are of the same order of magnitude as the costs to the country itself. Through all these routes civil war is a regional public bad.

The outer ring of suffering is global. Civil war creates territory outside the control of any recognized government. One major use for this territory is to produce and transport drugs: 95 percent of the global production of hard drugs occurs in countries with civil wars and the major supply routes run through conflict territories. A more speculative possible global cost of civil war is the current AIDS pandemic. Some evidence suggests that this was triggered by the rapid spread of a highly localized infection caused by mass rape during a civil war. A further global shock to which civil war has contributed is Al Qaeda. When international terrorism is conducted on a large scale, the organization

needs a safe haven that can probably only be provided in territory outside the control of any recognized government. Al Qaeda chose to locate in Taliban-held territory in Afghanistan, even though most of its recruits were not Afghans. It also used the war in Sierra Leone to generate profits from the trade in conflict diamonds and to store its wealth. The global mortality caused by hard drugs and international terrorism is a significant toll, but the wider social costs are immense. The World Bank estimates that the September 11 attacks alone may have increased global poverty by 10 million people.

We have no reason to think that those who decide to embark on civil war—the active participants, especially a few leaders—take all this suffering of others into account. Furthermore, many of these adverse effects are highly persistent. The typical civil war lasts long enough, around seven years, but the damage persists well beyond the end of the conflict. Once disease has set in, a country may need many years of peace to revert to its preconflict morbidity and mortality rates. Similarly, once an economy has experienced a wave of capital flight and emigration, this tends to continue even when the conflict is over. In addition, the regional escalation in military expenditure can persist because of insufficient coordination to reduce it. In many cases most of the costs of a civil war occur only once it is over. Again, those who have the power of decision are unlikely to take these consequences into account. Thus, in practice, the attitude let them fight it out among themselves gives license to a few thousand combatants and a few dozen of their leaders to inflict widespread misery on millions of others.

What Can We Do about Ancestral Hatreds?

CAN THE INTERNATIONAL COMMUNITY DO ANYTHING TO reduce the global incidence of civil war? If violence is simply determined by ancestral ethnic and religious hatreds, outsiders can probably do little. Part II turns to the underlying factors that determine the global incidence of civil war.

Chapter 3 discusses what makes some countries prone to civil war. Of course, each civil war is different and has its own distinctive, idiosyncratic triggers, be they a charismatic rebel leader or a provocative government action, but beneath these chance circumstances patterns are apparent. Some social, political, and economic characteristics systemat-

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ically increase the incidence of civil war, and we show that ethnicity and religion are much less important than is commonly believed. Indeed, societies that are highly diverse mixtures of many ethnic and religious groups are usually safer than more homogenous societies. By contrast, economic characteristics matter more than has usually been recognized. If a country is in economic decline, is dependent on primary commodity exports, and has a low per capita income and that income is unequally distributed, it is at high risk of civil war. This cocktail is so lethal for several reasons. Low and declining incomes, badly distributed, create a pool of impoverished and disaffected young men who can be cheaply recruited by “entrepreneurs of violence.” In such conditions the state is also likely to be weak, nondemocratic, and incompetent, offering little impediment to the escalation of rebel violence, and maybe even inadvertently provoking it. Natural resource wealth provides a source of finance for the rebel organization and encourages the local population to support political demands for secession. It is also commonly associated with poor governance. Disputes often fall along ethnic and religious divisions, but they are much more likely to turn violent in countries with low and declining incomes.

The Conflict Trap

ONCE SUCH A COUNTRY STUMBLES INTO CIVIL WAR, ITS RISK of further conflict soars. Conflict weakens the economy and leaves a legacy of atrocities. It also creates leaders and organizations that have invested in skills and equipment that are only useful for violence. Disturbingly, while the overwhelming majority of the population in a country affected by civil war suffers from it, the leaders of military organizations that are actually perpetrating the violence often do well out of it. The prospect of financial gain is seldom the primary motivation for rebellion, but for some it can become a satisfactory way of life. This is a further reason why the participants in a civil war should not be left to fight it out among themselves. Some evidence suggests that decade by decade, civil wars have been getting longer. While this may be due to circumstances in individual countries, it more likely reflects global changes that have made civil wars easier to sustain by allowing rebel groups to raise finance and acquire armaments more easily.

The Rising Global Incidence of Conflict

THE INCIDENCE OF CIVIL WAR HAS INCREASED SUBSTANTIALLY over the past 40 years. As this has been a period of unprecedented global economic development, it might appear evident that development has not been an effective remedy for violent civil conflict, but to make sense of the patterns we need to distinguish between different groups of countries. This is the subject of chapter 4.

Many developing countries have either already reached middle-income status or have policy and institutional environments that should put them on track to do so. Around 4 billion people live in such countries. Currently, as a group, they face a risk of civil war four times as high as the negligible risk societies in countries of the Organisation for Economic Co-operation and Development (OECD) face; however, 30 years ago their risk was five times as high, so they are converging with the group of countries already in secure peace.

Nevertheless, more than a billion people live in low-income countries that have been unable to adopt and sustain policies and institutions conducive to development. On average, these countries have been in economic decline and have remained dependent on natural resources or other primary commodities. This group of countries face far higher risks: typically around 15 times as high as OECD societies. Indeed, these risks have been rising as economies have deteriorated. Forty years ago there were many fewer independent, low-income countries. Most low-income countries were under the imposed peace of colonialism or were fighting liberation wars. As countries gained independence they started, in effect, to play Russian roulette with civil war risk. Many of them stumbled into conflict, and where this happened the conflict trap implied an even higher risk of further conflict. This is the group that increasingly accounts for the global incidence of conflict.

Thus the overall trend in the global incidence of conflict is made up of two radically divergent components. For most of the world's population development has been significantly reducing risks, but a significant minority of people live in low-income countries that have not shared in development. For them the risks have been increasing.

If these two opposing forces persist, the global incidence of conflict will not continue to rise indefinitely, but neither will development secure global peace. The world will find itself stuck with a self-sustaining incidence of civil war, determined predominantly by the large and per-

sistent pool of nondeveloping, low-income countries. These countries will account for a small and diminishing share of global income, but they will be responsible for a high share of the regional and global spillovers from civil war.

Nothing Can Be Done

PART III TURNS TO THE POLICIES THAT MIGHT BE EFFECTIVE IN reducing the global incidence of conflict. Some of these require action at the national level and others at the global level. Until recently, superpower rivalries made an international policy toward civil war unrealistic. Developing country governments lined up on one side or the other, and many rebel movements could count on some degree of cover from the opposing superpower. Therefore the question of what international responses were appropriate has only been worth posing in the past decade. Because asking the question had made little sense, the analysis to guide post-Cold War responses was not in place. Relative to many other questions the analysis is still seriously incomplete, but we are no longer completely in the dark. We now know enough for a reasonable basis for action.

Economic development is central to reducing the global incidence of conflict; however, this does not mean that the standard elements of development strategy—market access, policy reform, and aid—are sufficient, or even appropriate, to address the problem. At the most basic level, development has to reach countries that it has so far missed. Beyond this, development strategies should look different in countries facing a high risk of conflict, where the problems and priorities are distinctive. In addition, some policies that are not normally part of development strategy affect the risk of conflict, such as the presence of external peacekeeping forces, the tendency toward domestic military expenditures, and the design of political institutions. In designing a strategy for risk reduction a useful approach is to view all the interventions that significantly affect risk in an integrated way. For example, different interventions are most effective at different phases, and so may best be sequenced. Because different actors who are not used to working together determine the interventions, to date this has not been common practice.

The global incidence of conflict is made up of four very different components, each of which needs a distinctive approach. This is the subject of chapter 5. The first is the relatively low risk of conflict that is

faced by a large group of middle-income countries and by some low-income countries that are on track to becoming middle-income because of good policies and rapid growth. For this class of countries the main risk probably comes from sudden economic crashes, such as that Indonesia experienced in the late 1990s. These crashes are in any case disastrous, and the heightened risk of conflict simply adds a further reason why both national and international action needs to be taken to avoid such shocks and to cushion them when they happen. This is the group of countries that has already participated in global growth. Accelerating their growth would make a modest, but significant, contribution to global peace.

The second component of the global incidence of conflict is the much higher risk stagnant or declining low-income countries face. This group has basically been missed by development to date, and is in effect locked in a game of Russian roulette in which the probability of war is dangerously high. Igniting development in this group would make a far more substantial contribution to global peace, but is difficult because it has not been achieved to date. A particularly helpful aspect of development for these countries would be to help them diversify out of dependence on primary commodity exports.

The third component of the global incidence of conflict is the countries currently in conflict. If the typical conflict could be shortened, then the global incidence of conflict would decrease significantly. Past international interventions to shorten conflict have not been systematically effective; however, some evidence suggests that conflicts can be shortened by squeezing rebel organizations of their sources of external finance. Yet in the absence of other interventions shortening conflicts is not particularly effective: countries in the conflict trap simply pass in and out of war more frequently.

The final component of the global incidence of conflict is those countries that are in the first decade of postconflict peace. For this group the risks of further conflict are exceptionally high: approximately half will fall back into conflict within the decade. This is the area that probably has the most scope for effective international interventions to reduce the incidence of conflict. What is most likely required is a coordination of external military peacekeeping for the first few years with a buildup of large aid programs during the middle of the decade. Both military peacekeeping and aid could be made conditional on the rapid reform of government policies and institutions, so that by the end of the decade the society is reasonably safe from further conflict. We show that an integrated approach involving external military support, aid,

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and policy reform could, over the course of two decades, take postconflict countries well out of the zone of high risk and reduce their risk of conflict to only a quarter of its initial level.

No single intervention is decisive in reducing the global incidence of conflict; however, different measures complement each other and cumulate. Our simulation of a package of development measures suggests how the global incidence of conflict could be reduced to less than half of its present level. Some of the actions needed for such an improvement come from the governments of developing countries, and some require action at an international level.

Chapter 6 sets out a specific agenda for international action. Because those who decide whether to initiate civil wars and whether to accept a settlement ignore the large and adverse spillovers from civil war, this gives the international community both the moral right and the practical duty to intervene to prevent and shorten conflicts.

International interventions have recently had some important successes, such as the launch of the Kimberley process to regulate trade in diamonds and the international ban on antipersonnel mines. We consider three further sets of interventions: aid, the governance of natural resources, and military peacekeeping.

Aid has substantial potential for conflict prevention, particularly in postconflict settings, and in the past donors have probably not got their aid policies right. Aid has usually flooded in during the immediate postconflict period, when the country is prominent in the international media, and then rapidly tapered out. Based on our analysis, overall aid should have been larger during the first postconflict decade, but it should have gradually tapered in during the decade. There is also considerable scope to retarget aid toward low-income countries: the international community has provided much aid to middle-income countries where conflict risks are usually quite low.

Natural resource endowments have the potential for poverty reduction, but historically have often been associated with conflict, poor governance, and economic decline. Because the adverse effects of natural resources work through a number of routes, several distinct interventions could be helpful.

One global objective might be to make securing finance more difficult for rebel organizations. The Kimberley process has this objective, and it needs to be monitored. If it is successful, it could be replicated for some other commodities. If it is unsuccessful, the present voluntary agreement may need to be strengthened by legislation. There is also

scope to supplement the tracking of commodities with the tracking of the financial flows that are their counterparts, and the international banking system is now rightly coming under pressure to provide more effective scrutiny of the transactions it administers. A further source of rebel finance is from ransoms and extortion. Obviously such activities are already illegal, but the scale of payments can probably be reduced by government action in the OECD countries in which targeted companies are based. For example, the recent emergence of a market for ransom insurance is probably undesirable in that it escalates payments. A final source of rebel finance is from illicit primary commodities, notably coca and opium. The current OECD regulatory environment makes territory outside the control of a recognized government extremely valuable, and this clearly facilitates conflict. Many options for redesigning drug policy are available that would moderate this dangerous effect.

A distinct reason why countries dependent on natural resources face problems is their exposure to price shocks. OECD governments, and indeed charities, have been good at responding to such photogenic shocks as earthquakes and hurricanes, but have utterly failed to respond to the much more severe shocks caused by price crashes. There is considerable scope for both the international financial institutions and bilateral donors to provide better cushioning of these shocks and to conduct their commercial policies in such a way as to reduce price shocks in the first place.

A final reason why countries dependent on natural resources face problems is that their revenues are often used inefficiently or corruptly. The Monterrey consensus emphasized that both industrial and developing country governments have responsibilities in this context. There is a case for a template of governance of natural resource revenues to which governments could choose to adhere. Such a template would include transparency and effective scrutiny. It could potentially be used as a signal of reduced exposure to political risk, and so help to attract more reputable resource extraction companies to low-income environments. The international financial institutions have a potential role here in aggregating revenues from the individual accounts of resource extraction companies and publishing the resulting estimates of revenue in a way that integrates the information with budgetary data.

Especially in postconflict situations, government military spending tends to be excessive. High spending tends to increase risks rather than to contain them. Through powerful regional arms races, this high spending becomes a regional public bad. There is scope for regional po-

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litical organizations to negotiate mutual reductions in spending. The international financial institutions may have a role here as honest brokers monitoring that countries actually implement agreed reductions in spending.

Finally, and more speculatively, we consider the coordination of external military interventions with aid and policy reform. We suggest that in many postconflict environments neither aid, nor policy reform, nor even new democratic political institutions can realistically secure peace during the first few years. External military intervention may be the only practical guarantor of peace. An effective sequence might be that large aid inflows are phased in during the middle of the postconflict decade, generating a growth spurt that may enable a substantial reduction of the military presence. As the conflict-related aid program tapers out at the end of the decade, if the government has used the decade well to accelerate reforms, it should be in a position to sustain the rapid growth that can make the society safer.

In securing a safer world, no single intervention is likely to be decisive. Conflict risk works through multiple channels, and so calls for a package of complementary solutions. Furthermore, most interventions take time to work. However, our simulations suggest that if action is taken now, by 2015—the timetable for the attainment of the Millennium Development Goals—more than halving the global incidence of civil war would be feasible.

At present, reducing the global incidence of civil war is not included as a Millennium Development Goal. Yet both because war is so powerfully development in reverse and because peace is a fundamental good in its own right, it is surely appropriate as a core development objective. It is also much more readily monitorable than any of the other goals and, indeed, is already monitored by the authoritative Swedish International Peace Research Institute. The case for treating the halving of the incidence of civil war as a Millennium Development Goal is the same as that for the current goals: explicit commitments help the international community to sustain collective action. Because the risk of war is so heavily concentrated in the minority of developing countries we have referred to as “marginalized,” attaining the overarching goal of halving world poverty without having much impact on the incidence of conflict would unfortunately be entirely possible. The goal of halving the incidence of civil war would help to focus efforts on those countries and people who are at the bottom of the heap.