

War Economies and the Shadow of Globalisation

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1. Introduction

Karen Ballentine and Heiko Nitzschke comprehensively reflect the current state of the debate in their article. A commentator can only highlight certain aspects deserving additional attention, in order to improve our understanding of the dynamics of violence and civil wars. I would like to begin with some remarks on the intellectual underpinnings of the debate, in particular the greed-and-grievance dimensions which the authors portray in their article.

2. War and Peace – an Arguable Dichotomy

Progress has been made in recent years in deconstructing the ideologies of identity usurped by political actors implicated in civil wars. However, the accumulated knowledge concerning the main causes of armed conflict so far suffices at best to warn policy makers of some harmful steps which they should not take under any circumstances. Programmes currently carried out, and ideas in circulation on how to assuage violent conflict and create conditions for social reintegration in war-torn societies, form but a large trial and error laboratory. For the institutions involved, in particular the humanitarian agencies and the development community in western countries, it is admittedly difficult to acknowledge that they are still working in a fog of wanting knowledge.

The urgent need to improve our understanding of the dynamics that drive violent social conflicts was reflected in the creation of a research unit within the World Bank. Under the intellectual leadership of Paul Collier the unit produced an authoritative study entitled *Breaking the Conflict Trap: Civil War and Development Policy*. This study came to dominate political agendas. Its operational version now serves as an established Conflict Analysis Framework, which increasingly guides the policies of international actors, International Financial Institutions (IFIs), and the UN-Security Council in particular. From there the paradigm currently cascades down to governments, which in turn outsource the implementation of their policies in responding to armed conflicts to private sector institutions. Yet the methodology applied in the World Bank study has been criticised as being seriously flawed. Karen Ballentine and Heiko Nitzschke correctly highlight this substantive criticism, but so far the disapproving debate has not mitigated Paul Collier's political impact.

There are many reasons to question the basic assumptions underlying his analysis. The most fundamental argument criticises the World Bank approach because it takes for granted that the dichotomy of war and peace – or rather the absence of war – provides a valid analytical tool. As a matter of fact, this criticism applies to the entire debate portrayed and Karen Ballentine and Heiko Nitzschke's article itself. As far as war economies are concerned, the authors correctly observe that economic life does not cease to exist during war and that indeed the key elements of war economies, namely shadow economic transactions, are often pervasive long before armed fighting starts. The same liaison between the local economy and the spheres of shadow globalisation applies to the post-conflict economy. From these observations one may hypothesise that with respect to its economic dimension, the dichotomy between war and the absence of war is, at least, heavily diluted.

Similarly, a survey of world society concentrating on the victims of armed violence would not corroborate the assumed dichotomy. Data presented in the World Health Organisation's *World Report on Violence and Health* suggests that in a number of countries armed violence – in the absence of war – leads to higher ratios of persons killed than in countries plagued by civil war. Furthermore, it is important to take into account that the ratio of victims due to armed violence in war-torn societies is composed of war-related victims and victims of other forms of violence. Colombia is often cited as an example. The destruction of social cohesion and the weakening of accepted social norms during a lasting civil war nurture diverse forms of violence. These account for as many as half of the victims, while the other half can be attributed to the ongoing armed conflict. In the words of a recent Humanitarian Policy Group report:

“In any conflict, different forms of violence are likely to co-exist: from organised warfare and systematic economic violence perpetrated by the state or other military actors, through to more individualised forms of violence linked to criminality and economic opportunism, and violent and destructive survival strategies.” (HPG 2003, 5)

Thus, two of the main properties which define societal violence as war and form the basis to distinguish war economies as a category of its own do not discriminate between war and the absence of war. What remains of the customary characterisation of war, then, is the definitional requirement that somehow organised military forces of two parties are involved, one of which must be a state (SIPRI 2004, 144).

“Shadow globalisation” is an emerging term. It highlights our expanding understanding of the dynamic interrelatedness of the living conditions of the wealthy in seemingly well-regulated western countries and the marginalised masses living in destitute conditions. Terms like “black economy” or “informal sector” fail to capture the global nature of the coping strategies and the ensuing economic transactions the apparent losers of the neoliberal globalisation engage in.

The current globalisation is the result of deliberate transnational economic regulation enforced, on the basis of the Washington consensus, mainly by the International Monetary Fund and, with some modifications in developing countries, by the World Bank. It is marked by concurrent dynamic processes of social inclusion and exclusion. By choosing economic growth and using Gross National Income (GNI) rather than social inclusion as its measure of success, it leaves a large part of the world population unaccounted for. Beyond the dynamic expansion of the global economy – representing the regulated spheres where states provide security and litigation of conflicts on the basis of laws – probably half of the world population lives in fragile informal spheres without access to legal protection and security.

Concurrently with the opening of economies and the downsizing of state regulation, the informal and criminal sectors went transnational and formed thriving networks. They have an essential foothold in the developed world, where they hook up with the regular economy. The economic logic demands that criminally appropriated commodities enter regular markets at some point. Symbiotic exchange with the regular economy constitutes the dynamic core of coping strategies in the shadow of globalisation.

Even though for obvious reasons no reliable statistics are available, it is estimated that the global criminal product amounts to at least 1500 billion US-Dollars. Drugs and migration seem to be its engines of expansion. Though many migrants live illegally in precarious conditions, remittances have become by far the largest item on the financial balance sheet of many countries.

3. Weak States – the Roles of Rebels and Governments

State capacities are severely dehydrated in large parts of the world, caused, among other factors, by the implementation of the Washington consensus to impose a neoliberal regime of regulating global finances. Depleted state capacity is often a precursor to internal armed conflict. In many such cases, the distinction between state and rebels is virtually reduced to the formal ascription by international law. On the ground, both of their ‘war economies’ are of predatory nature. As a result, post-conflict scenarios are marked by a lack of legitimate leadership.

The shift by the major western powers from colluding with corrupt regimes (like Mobutu’s Zaire), which were at the same time major players in the transnational shadow economy, to imposing strict fiscal discipline led to the collapse of numerous regimes and produced many extremely weak states. It is often impossible to know whether the internationally recognised government or the armed opposition is more involved in transnational shadow economic transactions. The war in Angola was a perfect case in point. Such patterns are pervasive and render the mostly rebel-centred description of war economies meaningless. The properties of war economies regularly pertain to both sides. This implies that post-war situations are necessarily dominated by actors who follow the logic of the personal advantages that the diffuse and privatised nature of war economies, or rather the shadow globalisation, offers.

4. The Post-Conflict Equation – a Need for Realistic Analysis of Actors and Motives

The rebuilding of institutions in such an environment poses a daunting task for all parties involved. This is regularly underestimated in the climate of enthusiasm associated with a peace agreement. But as Karen Ballentine and Heiko Nitzschke succinctly observe, “war economies are highly decentralised and privatised, both in the means of coercion and in the means of production and exchange,” which also holds true for post-conflict scenarios¹. During the initial absence of institutions, the power brokers of the war economy usually demonstrate a spirited capacity to appropriate in-flowing reconstruction funds. They pose as government representatives, create NGOs, offer themselves as advisors to foreign donors, and erect a virtual shadow state. Post-conflict situations are permanently in danger of serving as a joint platform for all warlords, irrespective of whether they carried the label ‘rebel’ or ‘government’. They manage to take advantage of the goodwill of the international community and convert it into personal gain. Sometimes the booty is shared among members of an identity group, which leads to horizontal inequalities and breeds renewed conflict.

The despairing situation in both Bosnia and Kosovo lends considerable credibility to such a hypothesis. One might even expand the hypothesis and interpret the situation in these two international protectorates as an escalating symbiosis between a badly coordinated international ‘aid industry’ and criminal entrepreneurs commanding thriving, well entrenched transnational networks. The flourishing trade and exploitation of sex workers serving the expatriate community, whose task it is to foster peace, constitutes a rather sad, though vibrant, segment of this symbiosis. Furthermore,

¹ At the end of World War II the inevitable continuity in Germany was veiled by the ideological construct called “Stunde Null”. Similar formulas are likely to triumph in today’s post-conflict scenarios, allowing the dominant players (of the war economy) to accommodate themselves to new circumstances.

the state model that changing viceroys, now on behalf of the EU, attempt to implant operates at a cost level that the local economies will not be able to sustain for many years to come. An eventual local ownership of the ‘colonial’ infrastructure will be hard to achieve in these circumstances.

5. Reconstruction Myths

In their article, Karen Ballentine and Heiko Nitzschke present a number of policy options and recommendations. Bosnia, Kosovo and Serbia demonstrate the contradictions of some of these formulas. For the sake of brevity, only three recommendations will be explored: 1) the need of quick impact by demobilisation, disarmament and reintegration (DDR) policies to enable return to civilian life; 2) the priority of employment policies; and 3) the early involvement of IFIs in the post-war policy design.

5.1 DDR Policies and Return to Civilian Life – the Need for Realistic Timeframes

The rhetoric of DDR programmes to rapidly reintegrate former combatants into ‘civilian life’ rarely questions the capacity of ‘civilian life’ in the given circumstances to absorb the demobilised soldiers. The regular economy, though, if it exists at all, cannot absorb the inflow of additional labour. Even if one accepts the assumption underlying DDR programmes that full time fighters were the predominant type of violent actors to be weaned from the spoils of armed conflict, the intended return to civilian life predictably amounts to an integration into the existing shadow economy, which is structured by violent modes of regulation. The distribution of hoes and seeds, in the hope that violent actors will disappear into a pre-modern, self-reliant mode of life, is wishful thinking which fails to recognise that so-called war economies are Janus-faced. They are destructive – they deprive people of their livelihood and cause flows of refugees. Yet at the same time they are modernising – they forcefully integrate selective sectors into global flows of commodities and finances, and offer chances of personal gain. The reports that demobilisation allowances enter the economic circulation via spending sprees on alcohol and sex workers partly reflect the lack of absorptive capacity of the economy. More importantly, they reveal a lack of trust. The judgement whether such behaviour reveals a moral failure or a fatalistic response to a structural impasse is by no means straightforward.

Post-conflict economies thus minimise the chances of a quick impact of DDR measures. However, if donors are to be attracted to finance DDR, they must be assured that their commitment will not be open-ended. Hence, in order to mobilise resources for DDR programmes it seems paramount to project an unrealistically short duration, notwithstanding that, realistically, it takes many years to overcome the curse of the inherited war economy. Depending on the relative geopolitical importance of the respective territory, the result of such programmes tends to be either outright failure, ending in the withdrawal of external actors (Angola is about to fall in this category), or a drawn-out presence to cover up the persistent failure (in this case, Bosnia and Kosovo come to mind).

5.2 Depleted Human Capital – the Need for Education and Realistic Employment Strategies for the Youth

Non-governmental groups often engage in post-conflict scenarios with enthusiasm and naiveté. They tend to underestimate the war-related loss of human capital, while focusing on rebuilding trust. Yet protracted internal wars produce generations of people who had no chance to

regularly attend school. It takes years to overcome this deficit in accumulated human capital – human capital required to successfully rebuild and advance the economy. Undermining the expectation of rapid results of DDR, the rebuilding of human capital requires a dedicated effort over a period of no fewer than ten years. A cursory review of post-conflict programmes suggests that education as a factor determining productivity and competitiveness in the global economy is not sufficiently taken into account. It may well be that the elites in command are not interested in broad social mobilisation associated with nationwide educational campaigns. On the other hand, it is impressive to what extent parents often save and even starve to ensure the education of their children. They, at least, appear to have grasped the imperative precondition of individually succeeding in the global economy and are ready to strive for it, not least by emigrating, legally or illegally².

A second tension runs through post-conflict programmes: employment strategies and IFI-imposed economic regulation are not compatible. The demographic fact of huge “youth bulges” in regions characterised by war economies and post-conflict scenarios demands an annual rate of job creation which exceeds by far the most optimistic figures which can be projected in the frame of open economies and neoliberal regulation. This problem, though, is of general nature and not restricted to war-torn societies.

5.3 The Role of IFIs – Open Markets and their Consequences

The neoliberal model predicts optimal economic growth in an open global economy. It furthermore assumes that higher growth rates are the best strategy to alleviate poverty rates³. However, there are fundamental problems with the model. While its implementation may actually produce the predicted global optimum of growth, the result is politically irrelevant in local contexts where neoliberal regulation persistently excludes significant parts of the labour force from participating in the regular economy. Societies trying to reconstruct a state after armed conflict will succeed if, and only if, they can offer constructive participation in this process to the entire labour force and in particular to the youth. Taking into account the destruction of physical and, even more importantly, social capital caused by armed conflict, it is out of the question that the entire labour force can be employed, if compliance with neoliberal regulation and open markets are imposed by IFIs. If exposed to the best performers in global markets, there will be only few niche activities where a post-conflict economy can perform competitively, because its endowment with the necessary factors of production is structurally insufficient.

The implication of this disadvantage is obvious: Under the conditionality of international creditors, i.e. the IFIs, post-conflict governments have little room for manoeuvre. Economic strategies focusing on full employment as a means of national integration, which would require protection of markets, would be severely reprimanded. “Bringing in IFIs at an early stage”, as Karen Ballentine and Heiko Nitzschke suggest, and implementation of efficient strategies of employment are mutually exclusive as long as the Washington consensus prevails. Bosnia and Kosovo demonstrate how little employment huge monetary inflow effects under the current paradigm of economic regulation.⁴

² The roles the diaspora plays in conflict scenarios and even more importantly their potential contribution to DDR and post-conflict consolidation in general is not well understood.

³ The irony in this debate is that the economic performance of the People’s Republic of China serves as statistically dominant proof that growth is associated with poverty alleviation.

⁴ In current debates it is overlooked that economic policies after 1945 were marked by strong market intervention aiming at full employment. Interventionist policies and managed exchange rates were the basis for the success story of post-war Germany.

6. Strategies against Exclusion – Violence vs. Economic Perspectives

Pointedly formulated, when open markets meet a war-torn set of factors of production, they spur unemployment and thus an expansion of the shadow economy. Additionally, the regions where civil wars are recorded experience rapid urbanisation. The states lack the resources to cope with this rapid social change and fail to maintain the monopoly of legitimate violence. Slums are spreading in an unregulated fashion, leaving the dwellers without access to public goods (UN Human Settlements Programme 2003). The ensuing security vacuum is filled by private actors, gangs and criminal entrepreneurs who, in most cases arbitrarily, control economic transactions in their respective fiefdom. Economic development in such social orders is burdened with high transaction costs and a rapidly deteriorating quality of human capital. Economic chances are distributed on the basis of criminal acts.

Through the lens of this stylised environment the majority of young people in large parts of the Third World, but in particular in war-torn countries, perceive the global order and measure their chances to succeed – either individually or collectively. Economic modernisation, the replacement of self-reliant, rural economies by an agriculture oriented towards export markets, and the disappearance of the state as a large and secure employer combine to mark a sharp intergenerational discontinuity of social and economic roles and chances. Social norms embedded in traditional economic systems are no longer a behavioural guide for the young generations who find themselves living in urban slums with few chances to access the regular labour market. Survival in this cosmos is a permanent struggle without security beyond the immediate future.

Young people can be expected to ask for an accepted role in their society. But democratic elections are no vehicle for the aspirations of the masses of young people either. The eligible political actors tend to be stakeholders of the older generation who are loath to enact policies of profound change which would enable the social inclusion of the masses of young slum dwellers, among others. Then, if violence is the perceived feature of the ‘winners’ in this system, joining them becomes an attractive option.

The lyrics of Rap and Hiphop songs⁵ allow a glimpse into the mood of the young people who live in social and intergenerational ‘apartheid’. They are possibly the only authentic political communication of this huge layer of the global social hierarchy. The only voice they appear to have is violence. Young men in particular often see violence as their only access to livelihood, self-confidence, social recognition, and the often short illusion of inclusion by displaying ‘wealth’. In the lyrics of these songs, dreams of a just, non-violent world are expressed, but they return regularly to the hard reality in which violent crime is seen as the entry ticket to the world of mass consumption, to which the listeners are exposed daily in the media.

It is easy to see that violence offers a rational choice to young men,⁶ given the dire circumstances of their exclusion from the regular global economy. Statistically, it will take one or more generations for the economic growth generated by neoliberal regulation to absorb them. However, this economic truth is not transparent. Currently, few voices in the development discourse

⁵ Rap and Hiphop are a global expression of youth culture. But the lyrics are mostly rather concise reflections of the local political cosmos and its marginal position. This assessment is based on an on-going collection of songs (by Katrin Lock and the author) from a wide range of countries and languages.

⁶ The reason for the on-going gender difference with respect to participation in the ‘market of violence’ is not sufficiently explained in the existing literature on gender and violence. For the time being, it is a fact that only in exceptional cases young women either have equal access to jobs in the market of violence, or are equally disposed to opt for violence as a way to relate to society.

have the courage to confront it. Were the world society organised as a democracy of enlightened people, the current order would not survive a single election. By reversing this logic, one can not avoid the conclusion that the continuation of the current order and its unequal distribution of chances relies, among others, on the continued political exclusion of the huge “youth bulges” in many important, socially fragmented states.

7. The Future of Wars – are ‘War Economies’ a Model of the Past?

Finally, I turn to the question whether the knowledge about war economies and their impact on armed conflict and post-conflict scenarios, which is competently resumed in the introductory article, addresses the future we have to prepare for, or whether it describes outgoing forms of armed conflict whose logic we finally begin to comprehend. The answer to this question is complicated by the fact that the US-led ‘war on terrorism’ is already distorting conflict configurations to such an extent that the options of the actors involved transcend again the limits of their autonomous war economies, as was the case during the Cold War. Countries like Colombia, Uzbekistan or Pakistan come to mind as precursors of this new configuration. However, it is difficult to predict the sustainability and hence durability of the current foreign policy paradigm that the Bush-administration stands for. It is therefore more important to look at structural trends with an impact on war economies and the operational feasibility of armed conflict.

Modernisation and urbanisation are pervasive trends, which affect virtually all regions of the world. In certain regions, modernisation and urbanisation have reached levels of relative saturation, while other regions – including those currently comprising many war-torn societies – experience a market- and export-oriented transformation of their agriculture. One of the consequences is an enormous growth in internal migration, leading to the formation of mega-cities encircled by extended belts of impoverished slums. The two trends combined substantially increase the vulnerability of societies in case of infra-structural disruptions, as livelihoods become fully dependent upon continuous flows of commodities over long distances. Any interruption spells disaster. Peasant agriculture, which was once pervasive throughout the world, by contrast offered a last resort, an autonomous sphere of production and life, largely invulnerable to infra-structural disruptions. It provided shelter for people who fled cities.⁷ Peasants feeding war-fighting societies facilitated prolonged armed conflict.

If under current conditions the infrastructure breaks down, societies retain little elasticity of survival. The half-life period of self-reliant survival has shrunk to such an extent that conventional armed conflict is bound to lead to humanitarian catastrophes of ever greater dimensions in ever shorter times. As a result, the number of refugees crossing borders has been growing in recent conflicts, and the humanitarian agencies have gained a pivotal role.⁸

Against this background and the seemingly irreversible trends in human settlement I surmise that the war economies diagnosed in the introductory article represent a transitional configuration which will eventually be replaced by more diffuse forms of deterritorialised armed violence. Already in today’s armed conflicts, a general will be successful only if he is also a

⁷ During World War II civilians were evacuated from bombed cities and sent to live in the countryside. In Germany, entire schools were evacuated and operated for several years in rural areas throughout Germany and even in some conquered territories.

⁸ It should be pointed out that an inadvertent collusion between the United Nations Oil for Food programme in Iraq and the US-intervention produced a unique war scenario, in which the civilian population was supplied with food rations for six weeks to three months ahead of the invasion-related disruption of commodity circulation. For this reason the refugee camps erected by the humanitarian agencies in neighbouring countries found no ‘customers’. Similar military invasions in countries like Mexico, Thailand or Brazil would unfailingly lead to severe and unmanageable humanitarian catastrophes, not least because no centrally administered food distribution would be in place.

competent entrepreneur capable of keeping his respective war economy linked to the global circuits of the shadow economy. His relation to the civilian population is defined by the need to limit or manipulate humanitarian catastrophes to the extent they are useful and to draw in the ‘humanitarian industry’ as an exploitable resource. Otherwise, it is imperative to avoid operations which disturb his interests in the shadow globalisation.

As long as the current regulation of the globalisation process produces a dynamic symbiosis of globalisation and shadow globalisation, it might be necessary to rethink our conceptualisation of war to arrive at a more inclusive definition, which covers the ongoing transformation towards more diffuse and enduring forms of organised violence. The latter is already well entrenched in some countries – which might explain the seeming absence of civil war. Nigeria and Brazil would be cases to look at. But the transformation of the human habitat also constitutes an insurmountable dilemma for western ‘humanitarian’ military interventions: an ‘enemy’ who retreats into the urban jungles of the mega-cities can be defeated only at the price of destruction, which would require abandoning liberal values.

8. Change of Policies – What Can and Should Be Done

These general observations can be translated into specific policy recommendations, which should become part of the ongoing discourse on best practices in post-conflict scenarios.

- War economies have transnational systemic features. The policies applied in the context of post-conflict situations must be comprehensive and include those systemic features that are not located in the conflict region. During the Balkan wars the service sector in Cyprus was an integral part of the local war economies. However, very little was done by the EU to put pressure on the Cypriot government to sever these links. NGOs could have lobbied the European institutions to actively intervene.
- Massive education programmes do not feature prominently in post-conflict scenarios, because the war-related loss of human capital is generally underestimated, as is the importance of expanding human capital for political stability and successful integration into the global economy. These education programmes should include foreign languages to facilitate emigration, which will happen in any case – either legally or illegally. Massive education campaigns are attractive options because they are employment-intensive and require relatively little investment. They are likely to have a strong mobilising effect. These features should make them an attractive element in post-war consolidation strategies supported by the international community.
- As part of long-range stabilisation policies, massive scholarship programmes across all academic and professional fields in Europe should be offered to the young generation. The EU might also consider sponsoring scholarships in South Africa for students from war-torn African countries, thus supporting South Africa’s education system and fostering continental bonds in Africa. As far as the EU policy in the Balkans is concerned, this element is clearly underdeveloped, particularly in the case of Serbia. Europeans, in particular, should remember their post-war experience and the extraordinary importance of American scholarship programmes in the formation of democratic political actors. Currently, such programmes are overlaid by a phoney debate on immigration. Large scholarship programmes feed back into the home countries, and, yes, they inevitably also lead to immigration. But this is what the EU needs in any case. Why not combine the stabilisation and eventual integration of the Balkan with what Europe needs? In the name of post-conflict reconstruction, this debate must be opened.

- In the face of the “youth bulges” a strategic choice must be made in favour of economic policies setting social inclusion as their priority. This message has not yet sunk in. Currently, such a proposal has hardly a lobby. Instead, the debate is dominated by the paradigm of “failing states” or “states at risk” in political science (Schneckener et al. 2004) and by strategies of optimising growth which presumably solve all other problems in the field of economics. The former debate is focused on the proper functioning of the state and its institutions. It implicitly assumes that, if they are in place, the market will automatically maximise economic chances for all, though this is clearly far from the reality on the ground. The latter debate is neither amenable to politically necessary timing – like getting young people off the streets – nor to any fine-tuning of distribution effects. If social inclusion is taken into account, difficult choices are to be made: time may be more important in the context of stabilisation than optimal structures and efficiency.
- Pacification is not enough, war-torn societies are entitled to development. Converting the population into subsistence farmers can only be an intermediate goal. Modernisation, which implies urbanisation, is without alternative. For this to happen, the subsidised agricultural exports of the developed countries must be stopped instantly as a necessary condition permitting primary accumulation.
- There is a real danger that the priorities of the ‘war against terror’ will dominate development policies. The peace and development communities must be alert and oppose this tacit integration of policies even if the ‘war on terror’ promises increased resources. The imperial logic of this war antagonises the legitimate aspirations of the people trying to leave armed conflict behind.

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- Martina Fischer and Beatrix Schmelzle: *Introduction: Dilemmas and Options in Transforming War Economies.*
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- Olu Arowobusoye: *Why they fight: An Alternative View on the Political Economy of Civil War and Conflict Transformation.*
- Peter Lock: *War Economies and the Shadow of Globalisation.*
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