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Soft Intervention and the Puzzling Neglect of Economic Actors

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Could external actors who intervene to help countries end a civil war increase their leverage if they added economic incentives and actors to the current preoccupation with warring parties, peacekeeping forces, and demobilization? Even the most casual understanding of the evolution of peacemaking and peace-building practice since 1990–91 would consider this a foolish question. Although current international strategy does emphasize cooperation among armed groups and security guarantees, and by the mid-1990s, pressure had mounted to use military instruments for compliance—coercive diplomacy, "robust" (military) implementation of international norms and mandates, and peace "enforcement"—there has also been an increasing emphasis on economic instruments. Indeed, far from seeing economic considerations as alternatives, the current era of international activism in peacemaking and peace-building treats coercive and noncoercive instruments as complementary in the drive to expand in every way possible the resources, tools, and leverage at its disposal.[1] The more resources, in brief, the more likely efforts at peace are to be effective.[2]

That the composition of a resource package might be internally contradictory or that coercive strategies might have negative consequences appears of little significance in the hunt for resources. Of the resources employed, the most common are economic incentives—from credits and loans to the offer of trade agreements and access to export markets, or the threat of isolation from such economic goods and from legitimation. The assumption is that these resources will induce cooperation with external interveners and in implementing a peace agreement.[3] Is this assumption correct? The evidence is surprisingly thin. Moreover, the literature is extremely vague on the target of such incentives. To the extent that actors are discussed at all, the focus is on the army of external economic actors—the international fi-

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nancial institutions (IFIs), aid donors, multilateral development banks and agencies, foreign investors, and civil-military reconstruction teams—who seek to provide a "peace dividend" (a form of purchase) through physical repairs and promises of aid for economic recovery. When local recipients are identified, they are primarily political actors: the general population as voters, militia leaders and ex-combatants, or politicians.

To assess the conditions under which a noncoercive strategy for peace implementation might succeed, this chapter turns attention directly onto local economic actors. It argues that local economic actors are critical to the creation and sustainability of the peace, but that the current economic-incentives approach fundamentally misunderstands their role and its causes. Further, to understand that role and the room for third-party leverage, one needs a political-economic understanding of civil war and of peace agreements. The essence of a peace agreement after civil war is the reform or reconstitution of a state, and all states are characterized by the interests they represent. However, international actors also have economic interests in the kind of state that a particular peace agreement aims to establish. The current approach to incentives from third parties to local actors presumes that outsiders are autonomous vis-à-vis the political calculations of local actors, whereas, in fact, outsiders' economic and political interests are endogenous to the trajectory and outcome of a peace process.

The chapter begins by laying out the assumptions that underlie the current approach of international economic intervention. It then turns to the conditions under which local economic actors can be expected to be peace-promoting, in two ways—first in terms of the political settlement and second in terms of economic policies that business prefers. The chapter ends by questioning the puzzle of current policy and practice, the silence on, neglect of, and often even disincentives to domestic entrepreneurs and economic activity. This puzzling behavior is particularly surprising given that economic actors are so prominent in the literature of greatest influence on international policy as a (perhaps the) cause of civil war and its prolongation and also that the newest vogue in peace-building policy circles, as this volume goes to press, is "private-sector development," already known by its acronym, PSD.

Economic Causes of and Solutions to Civil War

Current international policies to end civil wars include a wide and complex range of economic incentives, policies, and projects that third parties offer to consolidate a peace agreement and its implementation. To the ex-

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tent that there is a theoretical basis to these policies, that is, that they are grounded in expectations about the association (preferably causal) between these policies and peace, they are now primarily shaped by a literature on the economic causes of and related solutions to civil war by researchers at the World Bank that became extremely influential in policy circles during the latter 1990s. These causes are basically two: motivations (in later versions, sometimes called opportunities instead) that lead individuals to choose violence and organize a rebellion, and structural conditions, called "risk factors," that are said to make a country vulnerable to civil war. Of the two, only the first focuses on economic actors.

Civil wars are caused, according to this first motivations explanation, by opportunities to make a profit through war from "lootable natural resources" (e.g., diamonds, gold, timber, coffee, coltan), under the cover of violence and rebellion. War profiteers, greedy rebels, and looting, terms based on an analogy with organized crime but now commonly called the "greed hypothesis," promote and prolong war.[4] Although the literature on such individual motivations is vast and highly contested, the policy world appears to find the "greed" version compelling. Thus, to get those who control armed groups to the negotiating table, external policies aim to increase the economic costs of the war (primarily for those identified as rebels), by means of such strategies as economic sanctions, both targeted and generalized; trade embargoes; and international prohibitions on conflict-financing commodities, such as the Kimberly Process on diamonds. Once an agreement is negotiated and signed, what follows is an offer to remove prior sanctions and provide economic benefits to those who fulfill their signed agreements and to retain or increase economic sanctions and isolation on those who do not. Funds may also be offered to reward specific peace tasks (although their meager amounts may not be much of an incentive), for example, to party-signatories to transform their armies into political parties and to former combatants to hand over their weapons and return home.

There is, thus, a fundamental contradiction between the characterization of actors' economic interests at the start of or during war and the assumption that positive economic incentives will produce behavior that promotes peace once an agreement is signed, as if those interests became transformed overnight. In fact, interveners ignore this contradiction by thinking of those actors as political, not economic, at this crucial moment of a cease-fire and peace. This understanding is explicit in the concept of "peace conditionality," promoted by analysts who argue for more explicit calculation of external aid as a reward to political leaders for specific implementation of the provisions of the peace agreement or as a punishment for

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delays or obstruction, but the concept is not popular with the World Bank and most donors because of the economic costs to the structural solution of economic growth (see below) that would come from starting and stopping projects in relation to political actions (Boyce 2002, 2008). The one exception was the World Bank agreement with US-led sanctions on any aid to Bosnian Serbs in the first two years of implementation of the December 1995 Dayton Peace Accords until their leaders complied with specified political demands, although the policy was never portrayed as peace conditionality.

The economic incentives offered regularly to the general population are conceived as a "peace dividend," not as a selective reward or punishment but as an extension of the humanitarian impulse of wartime relief and as a way to buy support from local communities for the peacekeeping troops as one element of a "hearts and minds" campaign. These quick-impact projects, pioneered by the UN high commissioner for refugees and the International Organization for Migration in Guatemala and Cambodia but now standard, aimed to reintegrate internally displaced persons and refugees into their original communities with early recovery projects that were then supposed to be continued by other UN agencies or INGOs. Those used to win support for military peacekeeping troops, pioneered by British troops in the NATO-led Implementation Force in Bosnia and Herzegovina in 1996–97, are small, local projects of repair and recovery that can be undertaken with small amounts of money immediately—such as the reconstruction and repair of schools, local roads, and water wells—and identified by civil-military officers with local authorities (Woodward et. al 1999).[5]

Targeting of economic incentives to political leaders, particularly signatories to peace agreements and former leaders of militias, also tends to succumb to the more common assumption among donors that economic assistance in general is a strong incentive to peace and the task of implementation is a matter of available financial resources and local "absorptive capacity," not incentives. Thus, there has been a growth since 1999 of trust funds for general budgetary support of new governments or monies for police training or ex-combatant disarmament and reintegration. However, the range of restrictions on these funds, such as that they be separately managed by the United Nations or the World Bank, owing to the lack of trust among donors in the financial probity and accountability of postwar governments and politicians, would appear more likely to serve as disincentives to peace commitments. Donors also insist that project implementation be done by nongovernmental organizations (NGOs), almost always international ones (INGOs), while the World Bank gives prominent place

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early in its economic assistance to an anticorruption program. Case studies of aid routinely show that almost half of all aid to a country emerging from war is spent on foreign consultants and contracts reserved for companies from the donor country.[6] Forms of ever more intrusive international oversight on economic governance and public financial management in the first years of implementing a peace agreement, such as the Governance and Economic Management Assistance Programme (GEMAP) required of Liberia by the International Monetary Fund (IMF), the World Bank, the European Commission, the US Treasury, and USAID, appear to be an increasing trend.[7]

By far the more substantial use of economic tools in peace implementation strategies is that aimed at the "risk" or structural factors associated with war and peace, on the theory that the best guarantee for a sustained peace is economic growth. Such economic assistance is universally based on neoliberal growth strategy, sometimes called the Washington consensus, plus its institutional preconditions, the political reforms called "good governance" to produce a government willing and able to adopt these economic policies.[8] Based on economic and political theories that the more globally open an economy, the faster it will grow and the more likely it is to be politically stable, these policies comprise a long-term, transformative agenda, not a short-term policy of incentives, even though their adoption is given early priority—rapid and complete liberalization of monetary and trade policies, privatization of productive assets and effective enforcement of those property rights (sometimes called "the rule of law"), and immediate priority for monetary stability through orthodox macroeconomic policy.[9] The target of such policies is the private investor, above all foreign investors whose capital and expertise are considered necessary but who need a substantial incentive to invest where physical security and security of contract are not easily guaranteed. These policy prescriptions do also aim at the assumed motivations for war, to force the informal and illicit elements of the war economy into the formal, legal sector of the economy, but their inflexibility across different economic and political conditions suggests that they are viewed more as axioms than as policy instruments. Their occasion, moreover, is negotiations between the war-torn country and the IMF over its debt arrears so as to gain or renew membership in the IMF, without which a country cannot access loans or credits from the World Bank and regional development banks and capital markets—unrelated, in other words, to incentives for or interests in peace.

Alongside these macroeconomic policies, it is now common after a peace agreement is signed to require a national reconstruction strategy,

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usually designed by the World Bank with supplementary projects designed and funded by bilateral development donors and regional banks, based on a joint needs assessment mission by the IFIs and UN agencies and leading to a donors' conference. Under the rules for Heavily Indebted Poor Countries, and also as a precondition for access to IMF and World Bank loans or credits in general, governments are also required to formulate a national Poverty Reduction Strategy Paper (PRSP) through participatory processes, starting first with an Interim PRSP. In line with neoliberal growth theory, these strategies emphasize reconstruction of wartime damage, especially to infrastructure (roads, bridges, dams), and liberal economic reforms, as preconditions of both foreign and domestic investment and export revenues. Domestic entrepreneurs fall in the policy category of small and medium enterprises (SMEs), whose access to credit is foreseen as the outcome of a banking sector reform on private, commercial bases, but within the IMF macroeconomic framework of an independent central bank and currency regulations that are highly restrictive on the price of credit and the scope of governmental policy.

Local Economic Actors and the Class Basis of a Stable Peace

With the possible exception of banking reform aimed at SMEs, current policies thus include few or no positive incentives to local entrepreneurs as economic actors. Such incentives do figure in the burgeoning PSD agenda, but as a source of additional finances for peace-building tasks to complement official development assistance. These tasks are what International Alert calls "peace entrepreneurship": the local private sector should focus its profit-making activities on the *political* objectives of a peace agreement, providing employment for demobilized soldiers, youth, women, returning refugees, and persons internally displaced; ending the decades or even centuries of socioeconomic exclusion; and generally contributing to reconciliation, security, and peace advocacy (International Alert 2006). What the economic incentive is to invest in such political tasks, an externally designed list that does not originate in local conditions and its profitable opportunities, is not clear.

Nevertheless, local economic actors *are* critical to the creation and sustainability of peace. Their role is even more fundamentally political in the extent to which the postwar state that the peace agreement establishes conforms to their class interests. To understand how third parties can design noncoercive strategies for implementing a peace agreement that successfully engage local economic actors, we need to think in terms of their in-

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terests as a class and as collective actors. Equally, we need to view the third parties in class terms and interests. The current economic-incentives approach of selective rewards and punishments misunderstands the behavioral motivations of both domestic and foreign economic actors.

I propose that success in implementation will depend on the extent to which the state created by the peace agreement conforms to the class interests of both domestic capital and the relevant external power(s). The less the domestic business sector is defined as a class or the more its class interests or those of domestic business and foreign powers are divided, the more fragile the peace and its sustainability will be. This section explores this relationship and variation with selected case studies.

A particularly useful start is the explanation given by Mark Peceny and William Stanley for the success of third-party strategies in achieving and implementing peace in Central America in the early 1990s, because the success was based, they argue, on a noncoercive strategy (Peceny and Stanley 2001). No forceful security guarantees were provided or necessary; indeed, at one point when the United States, as a major intervening power, chose a security-based policy, it backfired. The security approach, they argue, was only able to obtain cooperation instrumentally, not to transform the parties' interests and values into cooperation that was self-interested and, therefore, would last. Instead, the third parties (primarily the United Nations and the United States in these three cases) succeeded because they gained the commitment of the "dominant groups"—the former ruling coalition of conservative politicians and business elite—to "liberal norms and practices" that sent signals addressing "the fears of vulnerable combatants to such an extent that the demobilization of combatants [became] unproblematic." This "liberalizing domestic coalition" emerged in three phases: "in the first [purely instrumental] phase local actors adopt liberal practices as part of tactical efforts to legitimate themselves to the international community" (Peceny and Stanley 2001, 151). Business elites were prominent in this phase, motivated by fear of regionwide trade sanctions and their desire for access to US markets in a regional trade pact, both aimed by the United States as incentives to negotiate credibly for peace and abandon repression. In the next two phases, a transformation in the interests and corresponding practices of this political and economic elite supplanted international legitimation and economic benefits because, Peceny and Stanley argue, "virtually every international actor, including those with significant material influence and those with the greatest moral legitimacy, spread the same message and cooperated in socializing Central American political actors according to liberal principles" (150).

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One must, however, add to this strategy the critical ingredient of economic interdependence between the two sides (government and rebels). The more the rebels could credibly threaten economic disruption, the greater the incentive for business elites to find a peaceful resolution. The outsiders' insistence on liberal economic policies acted to reinforce that necessary condition of economic interdependence, while the regional trade pact embedded that domestic interdependence in regional economic interdependence. Nonetheless, the details of the actions, monitoring, and consistency described by Peceny and Stanley and required for the strategy to be effective suggest that outsiders' actions were significant but also no simple task. The parallels with the US strategy for peace-building after World War II in Europe also make clear the crucial role as well of outsiders' interests.[10] These two ingredients, the extent of economic interdependence that motivates the class interests of local political and economic elites and the class interests of the dominant third party, also help explain the variation among the three Central American countries in the strategy's effectiveness—greatest in El Salvador, middling in Guatemala, and least in Nicaragua. That is, the economic incentives of interdependence, trade, and liberal economic policies supported a peace settlement based on liberal *political* principles and peace to the extent that such a postwar state was in the economic (class) interests of the business elite or, if not necessary to their economic activity, at least not in direct conflict with it. Similarly, the liberal economic strategy was in the economic interest of the main intervening power and was not in conflict with the interests of other donors and international actors on the scene.

The difference among the three cases also demonstrates, however, that business support for liberal principles was a result of a transformation in local class interests, as Elisabeth Wood shows beautifully for the case of El Salvador, that resulted from the war itself, not from the strategy of third parties. The civil war waged by the FMLN was, Wood argues, a war against the oppressive labor system in the Salvadoran countryside, a system based on a political-economic alliance between the landed oligarchy and a repressive state apparatus that landlords needed to ensure a cheap supply of peasant labor tied to agrarian production (2000). The war ended not because of military defeat—it was a stalemate—but because the economic interests of the landowning class had changed. Responding to the ever-rising costs (and in some areas, the impossibility) of agricultural production as a result of the war in the countryside, landowners sought alternative opportunities for profit in the cities, shifting investments to export-oriented manufacturing and commercial firms in the towns and ports. They thus no

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longer needed an authoritarian state to repress labor; indeed, such a state was a growing hindrance to their commercial interests, which included an expansion of trade with the United States and the region. The business elite could abandon its former class allies in the state apparatus and agree in negotiations to establish a democratic state, a compromise in the original FMLN goals but one they were willing to accept. No change occurred in the class basis of the state—the FMLN were in no military position to demand more—and thus the peace agreement could be successfully implemented. As one of the leading UN negotiators explained, their success in securing an agreement that could be implemented was precisely because the new government (ARENA) still represented the upper class in a society that remained highly stratified and was able to deliver the army, which had initially refused to sign the negotiated settlement.[11] Moreover, the design of the key FMLN demand for agrarian reform, the land-for-peace program, was the one proposed by the conservative government to be acceptable to the business class, which easily explains its many weaknesses, including the poor quality of land given to the ex-combatants and the refusal by business to provide the financing necessary to make it work.[12] The failure of the peace to improve the lives of the majority of the population, the frustrations of the demobilized FMLN soldiers, and the high levels of postwar violence analyzed by Charles Call and William Stanley (2002) led many to expect a collapse of the peace. Its continuing success (by the currently dominant definition of successful peace implementation)[13] can be explained by the crucial balance of class power that the peace agreement represented: a congruence of economic and political interests of the dominant economic class and of the primary regional economic power (the United States) with the terms of the political settlement.

The noncoercive intervention strategy analyzed by Peceny and Stanley was not uniformly successful in Central America, one can argue, because of variation in the economic interests of the elite and the intervening powers in relation to the peace agreements being implemented and the balance of class power locally. In Guatemala, although US interests were the same as in El Salvador, the wartime transformation of the economic elite and their class interests was less complete (Stanley 2007, 132–133). The war did alter the structure of the economy toward a greater role for services and industry, and thus it created a constituency for less repressive, more liberal policies, but the changes were "not as dramatic" as in El Salvador, and divisions remained within the business sector over businesspeople's preferred economic policies and especially the kind of state they could accept (Peceny and Stanley 2001, 171). These differences on the political right

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did not prevent capital, in general, from getting a peace agreement it could support, however, because the URNG (Guatemalan National Revolutionary Unity [in Spanish, Unidad Revolucionaria Nacional Guatemalteca]) rebels were much weaker politically and militarily than the FMLN. The political and economic elite conceded to the rebels' demand for liberal democratic reforms, write Peceny and Stanley, "to legitimize themselves to the international community" (2001, 170). Indeed, the business community even reacted strongly when President Jorge Serrano attempted to overthrow Congress and the courts and assume dictatorial powers. However, commitments in the peace agreement for socioeconomic reform were very vague, and "little of what was agreed to was actually implemented" (Stanley 2007, 134). In particular, the government insisted on a subsequent referendum on the reforms outlined in the peace agreement, and it was roundly defeated in May 1999 in large part as a result of a well-financed publicity campaign by sectors of business against it. Even strong pressure from the UN mission and the international financial institutions (acting surprisingly against type in this case) to include a commitment in the peace agreement to raise taxes and government expenditures was not sufficient to protect against its rejection in the referendum.

In Nicaragua the strategy was least effective, because the class interests of the United States were opposed to the political outcome of the anti-Somoza revolution of 1979. The United States waged a long and brutal war against the Sandinista government, which conceded in 1990 to the regional mediators' Esquipulas accord to hold internationally supervised elections in hopes of defeating the US-supported Contras. When the Sandinistas did not win the election, their leadership was persuaded to agree further to a power-sharing pact with the new president, Violeta Chamorro, but the war continued as the parties of business used the elections as an opening to push for a total reversal of the Sandinistas' revolutionary changes in property as well as the power-sharing agreement that kept those changes alive. The IFIs and donors also weighed in on the side of this right-wing business agenda and conditioned their assistance on a severe austerity package for macroeconomic stabilization and structural adjustment that prevented implementation of any of the socioeconomic commitments made in the peace settlement, including even those made to the Contras, and which completed the reversal of most of the socialist legislation.

This pattern of variation in the crucial role of business interests (local and foreign) in a political settlement that they can support and thus will be implemented can be seen elsewhere even without the international strategy that Peceny and Stanley argue was critical in Central America. The cases of

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South Africa in 1990–94 and, even more so, Haiti since 1994 have striking similarities to what happened in El Salvador, whereas the cases of Haiti in 2004 and Mozambique appear to parallel the Nicaraguan case. After winning its national war of liberation against Portugal, the socialist regime of FRELIMO was forced to fight a second war against neighboring Rhodesia and South Africa in the form of a civil war with RENAMO and an economic blockade from the United States, the United Kingdom, and others. That war also ended as a result of changed class interests both internationally (with the end of the racist regimes in Rhodesia and South Africa and a change in Soviet foreign policy) and domestically, within FRELIMO, when party members in the countryside had grown wealthy during the war and military officers were increasingly engaged in economic activities. This new economic elite pushed for and won an internal party battle to allow private property and entrepreneurship in 1982–83. Already in 1985, the socialist government began discussions with the IMF and the World Bank for support, in part because financial aid from the USSR and Cuba collapsed but also because of the economic interests of this winning party faction. Although Italian support for peace negotiations surely helped, the interests of this emerging business class among the FRELIMO party cadre in access to rents and foreign aid through state power and peace combined with the interests of the new, large foreign-owned firms responding to the government policies required by the IMF program to encourage foreign direct investment. This resulted in opportunities for oligopolistic markets in beer, sugar, cement, and the massive energy complex on the border with South Africa and encouraged support for the resulting peace agreement and its implementation. As in El Salvador, the failure of postwar economic developments to make even meager change in the lives of the majority of the population did not prevent the world from calling the Mozambican peace process a success or donors (including the IFIs) from seeking to keep this "success" from reversal with extreme levels of Mozambican aid dependence more than a decade later (Cramer 2006, 259–272; Castel-Branco 2007). Implementation of the peace agreement can thus be attributed to an alliance of economic interests that included domestic landowners, domestic traders of raw materials (especially cashews), foreign investors (especially in sugar, the MOZAL energy complex on the border with South Africa, and other megaprojects) (Ryan 2004), and aid donors. As with South Africa and Haiti, however, one can question the long-term stability of a peace based on democratic principles that concede so little economically to the majority.

For all the economic power of private business, however, business class

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interests cannot influence political outcomes without acting collectively, that is, as a class, and such collective action is not always easy, especially given the competition of a market economy (Ben-Porat 2005). If business is too internally fragmented to mobilize as a politically unified force, it may concede to a negotiated agreement but not support its implementation, as the Guatemalan case suggests. Even more difficult are those countries where domestic entrepreneurs are too small in numbers or too weak economically to form a class and to articulate their class interests in the nature of the state. The high robust association between poverty and civil war may even reflect this situation.

According to Roland Marchal, for example, Somali businesses want peace and have been willing to finance militias and especially, by the late 1990s, the Islamic courts to give them security, but they continue to focus on their short-term commercial interests and are both internally divided and ambiguous about the kind of state they want. "Overly dependent on the State for major contracts and opportunities" between 1969 and 1991, the business class has grown ever more diversified and autonomous as a result of war since then, but it "still has a long way to go before it can acquire an autonomous consciousness of its social function" (Marchal 2000, 23, 21). Because the Somalia civil war is a "modern war, a war about the concept of the State," the resulting inability to conclude debates about representation, including the weak level of organized representation and related collective consciousness of business, precludes a stable peace settlement (2002, 16). In Alex de Waal's analysis, the war is competition among businesses over the economic interests the state will represent, specifically "riverine agricultural land, pastureland, remittances from overseas workers and the resources that can be captured and dispensed by a sovereign state, including foreign aid and currency," and the expectations that any "future government will be able to bestow the same benefits on its favoured capitalists" as it did in the 1980s—and thus also the fear of being excluded from these benefits. Peace in Somaliland, by contrast, can be explained by the presence of a regionally dominant class that can "stabilise the state": the Berbera-based livestock traders "who were terrified by the commercially disastrous implications of the fighting in Berbera in mid-1992" but who, in the crucial "absence of major property disputes . . . arising from former state patronage" that persist in Mogadishu and the Jubba and Shebelle valleys, were also able to create "hegemonic control over regional resources" (de Waal 2002).

These two analyses suggest the conditions under which an international strategy of economic incentives may not succeed in ending civil wars. By

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focusing on the profit motive of "warlords" in prolonging the war and thus sanctions or incentives to shift the economic interests of warring parties toward peace, such a strategy is likely to fail if it does not first analyze the productive base and class interests of those parties. They may well bargain to protect their own capital assets but not have an articulated class interest in the kind of state, and thus implementable political settlement, that they seek to protect those interests. The current diplomatic emphasis on power sharing makes the same mistake. As de Waal concludes for Somalia, those economic and ownership conflicts must be settled prior to the formation of a government; a power-sharing strategy, by contrast, legitimates all interests as a political incentive to come to a negotiating table and then only stimulates political competition over the rent-seeking possibilities of access to state power and thus perpetuates the conflict and the war (de Waal 2002). It is as if third-party mediators viewed the state as a collection of state portfolios to be portioned out like capital assets as an economic incentive to agree to cease fighting forever. A federal, power-sharing political settlement may well work to get signatures on a piece of paper where warring parties have bases of economic wealth and capital that are territorially specific, as in those often labeled "resource wars"—between the North and South of Sudan, between the mining interests of Kabila and forest interests of Bemba in the 2002 Sun City agreement for the Democratic Republic of Congo, in the autonomy concessions to Aceh and to Papua by the Indonesian government in Jakarta, or in the oil agreement and related political institutions that were hashed out in 2007–8 in Iraq. But territorial autonomy over capital assets is not the same as common agreement on the economic role of the state and its regulatory and coercive powers; an agreement on the distribution of revenues from natural resources, similarly, is not sufficient to define the interests and property rights that a new state will represent and protect. Therefore, one can hypothesize, power sharing alone will not be stable. The crisis in Sudan in 2008 over the position in the North-South agreement of Abyei Province, not to speak of the ongoing conflict over Darfur and eastern Sudan, which were not included in the peace accord although territorially part of the country; the collapse of the Sun City agreement in the Democratic Republic of Congo (DRC); and the continuing conflict over the status of Kurdish Iraq all illustrate this point. Indeed, by introducing incentives, third parties may make matters worse by misunderstanding the state and the role of their own interests. While the US government pressured both sides to agree in Iraq, American oil companies (encouraged by the White House and the State Department) signed contracts with the Kurdish regional government and thus worked against

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a resolution by altering the economic balance of power before a common agreement on the Iraqi state was complete (Rubin and Kramer 2007; Glanz and Oppel 2008).

Peace agreements based on a power-sharing solution, because it is centered on a distributive understanding of state protection and not a class concept of the state, are even more difficult to implement because they are vulnerable to exogenous changes in the relative balance of economic power and interest among the parties and thus also to the refusal by at least some of the parties to be locked in. In Lebanon, the Ta'ef agreement of 1990 was a consociational strategy based on an economic balance among Lebanon's confessional groups that was, in fact, already out-of-date at the time of signing, making the agreement extremely vulnerable to disruption, as soon became clear.

Business Self-Interest in Peace and Its Limits

The idea that third parties can design a noncoercive strategy for peace implementation based on economic incentives to local economic actors is based, it would appear, on the "greed hypothesis" of Paul Collier and his associates in the literature on the causes of civil war and on the war-economies literature of David Keen, Karen Ballentine, and others. That is, rebels and "warlords" must be given material incentives to abandon their gains from the looting, criminal trafficking, and resource predation that war allows. This premise encounters two problems. First is its very narrow concept of civil war, excluding all cases of social revolution (such as in Nicaragua, Nepal, El Salvador, and aspirationally in Haiti), nation building (in Palestine and Sri Lanka), and secession (in all of the former Yugoslav wars and those in the Caucasus), and thus the types of political settlement one might expect. It also conflicts with most empirical studies of wartime economic activity. Case evidence is strong, in fact, that not only the vast majority of the population who are trying simply to survive, but also most business people, would always choose peace over war.[14] The business elite are often those most actively pressing for peace. As Guy Ben-Porat writes, "peace dividends [which he equates with "economic incentives"] are the result not only of decisions made by major states, but also of the investment strategies of private business. . . . the business community is sensitive to the costs of the conflict and, due to its global linkages, aware of the potential benefits of its resolution" (2005, 331n30). In those instances in which business interests favor the current international preference for liberal intervention (Peceny and Stanley) or liberal internationalism (Paris),

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third parties have natural allies in business without any need to design incentives.

Case studies also suggest, however, that business pressure for a liberal peace is not sufficient for successful implementation of a peace agreement; the economic and political consequences of such a peace and associated economic policies also matter. Analyses by Ben-Porat of Israel and Northern Ireland and by Sunil Bastian of Sri Lanka provide support for this argument. The economic crisis of the 1980s in Israel, Ben-Porat writes, led the government to undertake in 1985 a liberalizing economic reform, reducing among other things the protected relationship of business to government and emphasizing an export-oriented strategy and global expansion beyond regional markets and investment, especially for a growing high-tech sector. As occurred in El Salvador as a consequence of war, changes in the source of profit and composition of the dominant sectors of the business class produced a change in their views of the conflict with Palestinians. Now the economic costs of the conflict and the occupation (particularly with the start of the first Intifada in 1987) became constraints on their new "global ambitions" and on the general success of this economic reform. The business community strongly supported the electoral victory of Labor in 1992 and Shimon Peres's concept of a "New Middle East" in which Israel would become the logistic and marketing center of the region and, in turn, become a global player; business thus embraced the Oslo principles in 1993 as a necessary component. Ben-Porat records how the Israeli stock market soared in response to the Oslo agreement while major newspapers drew the conclusion of "investors betting on peace" (2005, 339) and associated the peace accords with a coming economic boom. And indeed, new markets opened up beyond the Middle East with the end of the Arab boycott, and foreign investment flowed into Israel (increasing ten-fold within a few years).

The political consequences, however, were not as Labor and the business community expected because the benefits of this growth were not widely shared. The Palestinian economy, as a result of the accords, went "from bad to worse" (Ben-Porat 2005, 342). Arab states began to fear an Israeli economic takeover because of the distinct differences in their competitiveness regionally. Rapid liberalization brought growing inequalities within Israel, revealing the upper class and Ashkenazi bias of the business community because other social strata and non-Ashkenazi were negatively affected, and business itself "invested few if any resources to incorporate alienated sectors" (343). In the elections of 1998, Likud won, according to Ben-Porat, because Labor had become identified as the party of big busi-

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ness and because of growing popular alienation at the economic consequences within both Israel and the Palestinian territories.

Ben-Porat concludes, however, that the Israeli business community made a tactical error in becoming too much associated politically with the peace process and the Labor Party. Had it retained autonomy, the peace agreement could have been sustained. He supports this argument by turning to Northern Ireland, where the business community also began to view regional and global economic opportunities as the source for new growth, in part out of the demonstration effect of growth in the Irish Republic and in part out of concern that British subventions would not last forever at a time when the Ulster economy had been declining sharply for almost twenty years. As in Israel, they perceived the limit to such economic profits to be the civil war. Business (including a majority of Protestant businesses) began to call for greater cross-border economic interaction and a "single island economy," North and South, and despite alarms raised from Protestant politicians, the Northern Ireland Confederation of British Industry (CBI) even published a paper in 1994 supporting the 1993 joint Social Democratic and Labour Party (the principal nationalist Catholic party) and Sinn Fein statement and the Downing Street Declaration on the grounds of the economic implications. Almost immediately the Irish Republican Army (IRA) announced a cease-fire and six weeks later came the Loyalist declaration. The economic results, as in Israel, were striking: tourism soared, unemployment fell, and aid and investment flowed in from the European Union, the British government, the United States, Canada, and Australia. Manufacturers and larger businesses were particularly optimistic.

Nonetheless, by 1996, negotiations over demobilization ("decommissioning") were at a stalemate, and the cease-fire broke down. Divisions within the business community began to emerge over economic policy, such as between the expansionist goals of big business and less competitive, smaller, local businesses and between big business and the trade unions, and the chambers of commerce representing small and medium enterprises withdrew from the big-business-dominated CBI. Realizing that business was also divided over the referendum in 1998, the CBI then chose to distance itself from any explicit political support and also "declared its commitment to 'social responsibility,' understanding that its desire for market economics could not be fully realized" (Ben-Porat 2005, 344). The Good Friday Agreement was accepted in 1998, although full implementation took almost a decade in the face of continuing divisions within both business and political communities.

Bastian's analysis of the Sri Lankan case adds the crucial role of elec-

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tions, in this story of the consequences of pressure for peace from the business community (both domestic and international), for liberal economic, globalizing reform. He begins with a seminal article by Newton Gunasinghe on the role of the liberalizing market reforms in the late 1970s in provoking the 1983 anti-Tamil violence because of "the loss of state patronage in the case of small businesses and undermined welfare benefits received by the urban poor" (Bastian 2008, 1). The new United National Front (UNF) government elected in December 2001 entered into peace negotiations with the Tamil Tigers (LTTE) and obtained a cease-fire that lasted until 2007, but its goal, too, was to respond to an economic crisis in 2001 with a new round of market reforms. The platform of the UNF election campaign, representing its primary social base, the interests of capital (Bastian 2008, 7), was that peace negotiations were "necessary to revive the economy" and get it "back on track" (6). The starkness of this economic motive is revealed in the government's apparent disregard for the political consequences of the macroeconomic policies of orthodox stabilization and structural adjustment policies; that is, implementation of those macroeconomic policies also required a radical political reform of the central state, supported by the business elite, a reform directly counter to the political compromise on state reform that would be necessary for peace with the LTTE. As in other cases as well, the UNF government devised no program to address the potential social costs of this policy, so convinced was it, apparently, of the trickle-down benefits of liberalization.

International donors and multilateral banks rushed in with large doses of economic assistance to the Colombo government (including agreements with the IMF and the World Bank) in support of both economic reform and the 2003 cease-fire agreement, but this aid advantaged one party to the conflict only (the Sinhala government). All projects for the Tamil North or East remained hostage to the delays in the peace process, and donors never calibrated aid to reward or punish progress or setbacks related to the cease-fire agreement. Indeed, the IFIs and the donors focused their support entirely on the economic agenda and took the cease-fire for granted. The result was a total electoral defeat of the UNF in April 2004 by the government's own constituency, the Sinhala population harmed by the reforms. There had been growing regional inequalities, rising poverty and unemployment, drastic cuts in state employment, an end to most employment protections, and total removal of the protections since independence for the small-scale peasant farmers growing paddy, the largest component of the electorate. That the reforms were perceived to benefit "only big business" reinforced the alienation their outcomes caused. The electoral reac-

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tion brought to Colombo a new government committed to a military strategy against the LTTE, a breakdown in the cease-fire by early 2007, and by 2008–9, open war aimed at total defeat of the LTTE.

Strictly speaking, the Israeli and Sri Lankan cases represent the failure of a cease-fire agreement to consolidate into a sustainable peace agreement, though it would have been supported by business, not its failed implementation. The case of Lebanon suggests that this distinction among stages in ending civil wars may be too artificial. The same relation among the economic interest of business (and the government it supports) in peace and the influence on its sustainability of the consequences of those economic interests (as in a liberal economic policy) can also derail the first, fragile years after a formal peace agreement (e.g., Ta'ef in October 1990).

Of all the cases yet discussed, Lebanon has the most developed business class, but it is divided along sectarian lines—Christian (Maronite), Sunni, and Shiite—and the political settlement of its civil war in 1990 enshrined the distribution of wealth and economic power among them at the time in a power-sharing design for the state (as opposed to the alternative that many argue is necessary to a sustainable peace in Lebanon, a secular democratic system). However, while segments of the business community did not agree to Ta'ef because the war had changed their economic interests, as in El Salvador, the war and exogenous forces together did unleash changes in the demographic and wealth balance among them. As Ghassan Dibeh explains, "an influx of capital from the Gulf mainly through Sunni channels was already shifting the sectarian distribution of commercial bank ownership in the 1980s," there was an "incursion of Muslims into traditionally held wealth spaces" of Christians in the commercial and service sector, and a fight erupted in 2002 over the law on exclusive dealerships in 2002 (the "hallmark of Lebanese capitalism") between "Christian merchants who dominated the commanding heights of the import sector" and the Sunni-dominated Hariri group that had come to control the influential Council of Development and Reconstruction (CDR) (2005, 20).

While the economic outcomes of government policies after the Ta'ef accords are a complex story, local analysts emphasize two that were particularly damaging to the peace. First, the government chose a finance-based approach to economic growth, strongly supported by the IFIs and the donors, which, in the context of a peace agreement that required distributive justice, could only lead to a fiscal crisis (Dibeh 2005). When peace after civil war requires a reknitting of national identities, loyalties, and goals, this economic policy approach also prevents the kind of state policies necessary to a national development plan and inclusive, countrywide policies.

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Instead, the CDR planned and donors supported a collection of specific projects based on sectional rent-seeking, as usual.

Second is the role of Rafik Hariri in designing the program for postwar development as a private entrepreneur through his private development company, Solidere, before and during his multiple terms as prime minister. The Hariri policies represented the balance of economic power in Lebanese capital and their focus on the central (and wealthy, elite) areas of Beirut to the exclusion of the suburbs and the rest of the country, a massive transfer of property rights from homeowners to his company, and the assumption of "trickle-down development" and focus on private profit for an "internationally connected elite" rather than public goods (such as transport and social housing).[15] The effect was not only widespread protests within Beirut from intellectuals, homeowners, and squatters, but also the creation of a constituency for Hezbollah in Lebanese politics among those excluded outside Beirut and in its suburbs and, in 2006, the social basis on which to challenge the state itself. As Kathrin Höckel wrote in 2007, Hariri's reconstruction policies for private benefit not only contributed to further instability in Lebanon but also created "new conflicts over assets, influence and identity, problems with which the country continues to struggle" (2007, 2). Both Dibeh and Höckel emphasize that the vertical inequalities created by Hariri's economic policies compounded the horizontal (sectarian) clientelism of the Ta'ef agreement and its rigidity as a sustainable political compact.

The role that outside actors can play in gaining the support of private economic actors—the business community—in implementing a peace agreement is usually focused on the first years after war, although their role in the kind of agreement negotiated is crucial to its implementation also. Whereas a local business community, or factions, will support an agreement that they perceive to be in their immediate and long-term interests, and if they achieve that, no additional incentives will be needed, the logic of the economic consequences and their political implications of a particular peace agreement that big business can accept or even may promote may also play out over a much longer period. Awareness of this relationship by third-party negotiators, who should have more room for choice, and by those such as the IFIs and the donors who provide initial financial support (often as incentives), could go a long way toward avoiding choices that build in long-term trouble, as in the very clear case of the compromises in the 1979 Lancaster House Agreement for Zimbabwe, particularly on land ownership. Similarly, commitments made in peace agreements, such as racial redress in the South African accords of 1990–94 or the "peace divi-

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dend" so common in the rhetoric of external interveners in general, require a state with sufficient public control over economic resources to fulfill them, not the immediate and extreme liberalization (and its beneficiaries) of the current conventional wisdom coming from outsiders.

International Strategy and Entrepreneurs

The most puzzling aspect of current intervention approaches to ending civil wars is their ambivalence about local entrepreneurs. If economic incentives are meant to promote support for peace, if a peace dividend is conceived in terms of economic benefits, and if the private business sector is the essential economic actor in current strategies, why are there so few incentives and so many disincentives to the encouragement of a domestic entrepreneurial class? One explanation may be the parallel ambivalence in the literature on causes and solutions: do entrepreneurs profit through war or peace? An alternative explanation is more specific to peace-building interventions and the fundamental distinction for most external actors between the short term and the long term.

The striking metaphor posed in 1994 by Alvaro de Soto and Graciana del Castillo in their analysis of the El Salvador peace process of a patient on the operating table with two surgeons, a curtain drawn along the center of the body and each working on only one half, with a different diagnosis and oblivious to the other—the political mandate for peace of the United Nations mission and the economic mandate of the IFIs—had a salutary effect in provoking better cooperation on the long-term goal of peace.[16] If that patient were the local entrepreneur, whether small or large, the metaphor of partition would still hold, transposed to roles seen as necessary to peace in the short run and those focused on the long run.

In the short run, the aim of external economic assistance and incentives is defined politically—the specific tasks that international actors define as peace implementation: disarmament, demobilization, and reintegration (DDR); reconciliation and transitional justice; human rights; rule of law; democratic elections; and refugee return. To achieve these tasks, there is growing attention to private-sector development (PSD) by the UN Peacebuilding Commission, the UNDP and the International Labor Organization, major development agencies such as the British Department for International Development (DFID) and the German Gesellschaft für Technische Zusammenarbeit (GTZ), the World Bank, and major NGOs working on conflict, such as the London-based International Alert. Their focus, however, is motivated by the ceaseless search for more resources

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that, they hope, the private sector can provide in the absence of public-sector resources internationally or in the postwar country.[17] The targets of PSD, however, are foreign investors (and the economic policies needed to attract their investment) and the country's diaspora (whose patriotism is evoked to gain money for the homeland) on the assumption, apparently, that there is no private sector to tap within the country.

The economic consequences of the international strategy for this short-term phase of peace-building, moreover, appear to act more as disincentives to peace. The case literature on postconflict countries is replete with evidence from public opinion surveys and ethnographic narratives that people resent the economic framing of a peace dividend, insisting that they cannot be "bought" and seeing such assistance as a "bribe" inappropriate to the nature of their wartime sacrifices and the political and moral issues at stake (Griffiths and Barnes 2008, 3–4).[18] When asked what their priorities are in the first years, they uniformly, regardless of context, emphasize economic survival. As one Sierra Leonean researcher was told repeatedly, "Now we have the vote and we can say freely what we think, but we have no job."[19] Civil wars occur in local communities, and they disrupt most the economic and social networks necessary for the survival of small traders, farmers, and craftspeople (Mwanasali 2000; Kalyvas 2006; Wood 2008).[20] Quick-impact projects and microprojects do not even intend to be developmental or employment-generating, and evidence is overwhelming that they are rarely economically viable even in the short run ("Evaluation of the Western Bosnia Rehabilitation Programme" 1999; Woodward 2004, 5). They do not produce the needed income or "jobs." Initial development projects in peace-building operations are currently based on what USAID, the World Bank, and other donors call "community development." However, these projects are confined to participatory mechanisms for choosing a local project for donor financial support, not on building the many links among communities, from transportation and communication to national regulations, that are necessary for economic activity. Among these links are those that enable farmers to market their produce, enable traders to function, and connect suppliers and producers in such a fashion as to make an economy function and make capital accumulation possible.

The intended disincentives to wartime commanders to go into business after the war, either because of policies aimed at punishing them as "warlords" and "war profiteers" or at transforming them into peacetime politicians, is particularly curious when their wartime tasks clearly required highly sophisticated entrepreneurial and managerial skills. If rebels are, indeed, motivated by stifled opportunities for profit in the legal economy, as

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the "greed" school in the World Bank research group argues, then policies to provide such opportunities and incentives for entrepreneurs would seem to make more sense. A glance at the later career paths of wartime leaders in cases where a leadership dispute or electoral defeat provokes their departure from politics reveals a notable parachute into business.[21] Even the examples that pepper much of the literature on postwar corruption focus on the business activities of those who remain in politics.[22]

Civil wars may not produce political revolutions, especially if third-party negotiations aim at a political compromise among parties, but they almost always entail social revolution, because they remove normal constraints, whether generational or social-status constraints, on upward mobility.[23] They also reward risk-takers who can maneuver in informal and highly globalized economic conditions, promoting new entrants and businesses where some protection against violence can be found. Yet the economic conditions in the immediate postwar period are currently defined by the IMF, the terms of its agreement on debt arrears and its priority on monetary stability through orthodox macroeconomic policy, which has been shown to create such tight credit markets that most local producers cannot compete with foreign investors. The IFI demand of immediate trade liberalization is devastating to vulnerable domestic producers when cheap imports rush in. Even the innovative World Bank project in Bosnia and Herzegovina in the first postagreement year to promote investment by providing a strategic insurance facility against investor risks was aimed at foreign investors, not domestic entrepreneurs.

The failure of the usually massive presence of international actors, both military and civilian, to provide incentives and opportunities to local business in the first years after war is even starker. Although their presence does inject an immediate stimulus to the real estate market and services such as restaurants, mainly in the capital city, a systematic study by Michael Carnahan, William Durch, and Scott Gilmore in eight active UN field missions (Kosovo, Timor-Leste, Sierra Leone, DR Congo, Haiti, Côte d'Ivoire, Liberia, and Burundi) found that less than 10 percent of all spending by the international mission went directly into the local economy, that "77–95 percent of the mission's economic impact was concentrated in or near the capital city" and "in those industries and sectors directly supporting the mission," such as construction and contracting, not on businesses that could survive the departure of the international presence. "Of the goods and services that missions bought for themselves, about 80 percent" was spent on "imported goods or as profits to foreign firms who were awarded contracts."[24] Donors

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notoriously insist on tied aid, requiring their country's products and consultants, and there is a "pervasive bias against local suppliers" among donors and international organizations in postconflict settings, even though studies show that the foreign prejudices about corruption and low quality of local businesses that are said to deter local procurement have no basis in any factual difference between local and offshore procurement (Boyce 2008, 32, 34). Huge portions of aid budgets go, in fact, to consultants who are also outsiders.[25] As has long been well documented, local labor markets are also seriously distorted by international wage and salary scales, with which the local private sector (and the civil service as well) cannot compete. While raising labor costs for local businesses, they also drain skilled talent away to international agencies but not into positions that utilize their local skills, thus seriously depressing local human capital in the long run.

The failure of third parties to structure incentives for local entrepreneurs and entrepreneurial talent and the vast disincentives to economic activity in the first years after an agreement, however unintended, do not logically follow from neoliberal economic strategy and liberal political strategy, with their rhetorical emphasis on the private sector, markets, commercial profit, and the "rule of law" (emphasizing private property rights), unless the economic agenda is focused on the long term. Certainly the PSD agenda in countries both vulnerable to violent collapse and emerging from war is to *develop* a private sector, not to identify and utilize an existing one.[26] The economic policies of the multilateral banks and development donors, their donors' conferences, and national reconstruction plans and PRSPs, similarly, aim at long-term, structural transformation. In the short run, it is said, absorption capacity is low (but by this statement, what is meant is the government), while the incentives to domestic investment will only emerge in the long run after a framework of laws and regulations is in place. But this strategy takes a long time to show results, and unless there is already a robust domestic business class, the beneficiaries tend to be foreign investors and INGOs, not domestic actors.

Given the prominence of attention to the role of economic interests and profit in the causes and prolongation of civil wars and the place of economic incentives in the war-termination and peace-implementation policies of third parties since about 1994–95, the pervasive silence in such international strategies and actions about local economic *actors*—the business class, local entrepreneurs—is puzzling. This chapter has argued that

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domestic entrepreneurs are crucial to the successful implementation of a peace agreement in four ways that provide substantial leverage for third parties who would seek to use it. The first precedes a peace agreement: the costs of war may well change the political interests of the business class in such a way that its members are willing to abandon the regime and support negotiations over a new kind of state. They may even bring the greatest pressure to bear on a government for peace. International policies aimed at that cost calculus, such as economic sanctions, trade embargoes, or promises of aid and trade pacts, if they change the economic activities and class interests of business, can contribute to that transformation in political interests, but those policies can also make the postwar peace-building process more difficult if they—as currently—are not tailored to the specific nature of class power and economic activity in the particular country. Sanctions, for example, always strengthen political hardliners, making a negotiation less likely, and the effects of all economic incentives and disincentives on the population do not end with the signing of a peace agreement.

Second, the extent of business support for a peace agreement depends on the extent to which businesspeople perceive the new state as representing, or at least protecting, their economic interests. The incentives are intrinsic to the agreement. Third parties, however, also have interests, and when these converge with the domestic elite's interests, the third parties will communicate their support in a range of rewards and reinforcement. When these interests oppose the likely political outcome of the civil war, it will not end, however much the local economic actors wish to have it end—and vice versa.[27] The idea that third parties can use incentives to obtain local business support for the peace wrongly assumes autonomy between the economic and political interests of both local business and third parties and the content of the peace agreement. Strategic choices and outcomes are endogenous to the power constellation in the negotiating period and to the equally or more fluid and contested period of its implementation. If third parties wish to influence the implementation positively, they are likely to be more successful if they are more attentive to the political consequences of their economic aid and policies.

Thus, third, if the goal of peace for the business class is a set of economic policies that have the consequence of increasing unemployment, both vertical and horizontal inequality in postwar society, and the antagonism of key political groups, then the peace process will remain fragile and at a stalemate. The question is how flexible third parties currently are with regard to their own economic, philosophical, or geopolitical interests in specific economic policies and models of the proper state. The evidence for

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local policy space and choice over state forms and economic policies in the immediate postwar period, particularly in ways that could consolidate the peace, is meager.

The greatest room for third-party leverage on the role of economic actors in supporting the peace would seem, instead, fourth, to be direct economic support for local businesses—the middle-class social basis for liberal democracy—and the domestic entrepreneurs who will create employment. Such a policy would entail no change in outsiders' convictions that economic recovery and growth are the strongest peace dividend and foundation of a sustainable peace. It would require radical change in their practices and their prejudices. A national bourgeoisie will not guarantee peace, but until one emerges in both economic and political (class) terms, the political bases of a sustainable peace will be absent.

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Notes

1. Andrew Mack (2005–8) has made this point in every Human Security Report and Brief since the first in 2005; see also Mack 2008.
2. Doyle and Sambanis (2006) are most associated with this argumentation, but it is also the core theme of all UN documents on peace-building, from Secretary-General Boutros-Ghali's *Agenda for Peace* (1992) and the Brahimi Panel Report on UN Peacekeeping (2000), to the creation of the Peacebuilding Commission and the Peacebuilding Fund by the 2005 World Summit Outcome Document, followed by resolutions of the General Assembly and the Security Council, in response to the recommendation of the 2004 High Level Panel on Threats, Challenges, and Change.
3. Although it is focused on conflict prevention, see the useful volume on incentives edited by Cortright (1997).
4. Most influential was the World Bank project on the Economics of Crime, Violence, and Civil War led by Paul Collier. See Collier and Hoeffler 1998 and Berdal and Malone 2000, but also Keen 2000; Ballentine and Nitzsche 2005; Collier 2007. For important exceptions to this dominant argument, see Wood 2003; Marchal 2003, 2005; Stanley 2007. Particularly useful critiques can be found in Hansen 2007 and in UN Department of Social and Economic Affairs 2008, 125–27.
5. This concept has blossomed in Iraq and Afghanistan into the practice of provincial

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reconstruction teams, economic programs run by the military once a territory has been declared secure; see Watkins 2003.

6. See, for example, Oxfam 2008.
7. GEMAP places strict controls over revenue collection, public expenditure, and government procurement and concessions; and international experts with cosignature authority were assigned to many governmental ministries and state-owned enterprises (see Dwan and Bailey 2006).
8. Paris (2004) is most clearly identified with this characterization.
9. The risk-factor analysis by the Political Instability Task Force lays particular stress on the high correlation between a country's openness to foreign trade and a low risk of political instability, including civil war. Political Instability Task Force, "Internal Wars and Failures of Governance, 1955–2007," available at http://globalpolicy.gmu.edu/pitf/, retrieved November 18, 2008.
10. See the very useful analysis in Kozul-Wright and Rayment 2007, 283–294.
11. Blanca Antonini, personal interview by Woodward, April 3, 2008. Geoff Thale (1997) explains military support as a response, instead, to US military aid and the threat of its withdrawal.
12. See Call 2002, 395–396. Indeed, to the extent any land reform occurred at all, according to Thale (1997, 188–89), it was because USAID financed it (and it still faced "tremendous resistance from Salvadoran elites"). Call (2002, 391, 410–412) also emphasizes the vagueness of the other socioeconomic reforms and commitments in the peace settlement, its neoliberal model, and its failure to benefit the majority of the population over time.
13. Doyle and Sambanis 2006, 72–75. These authors code negative ("sovereign") peace as no resumption of the war after five years; undivided sovereignty; no residual, organized violence that challenges the state; and positive ("participatory") peace as a minimum level of political openness based on the Polity Index.
14. On the Somalia case, see Hansen 2007, 40.
15. As Kathrin Höckel describes his role, "reconstruction in the 1990s was mainly concentrated in Beirut's Central District (BD) and became almost synonymous with the name Rafik Hariri and his reconstruction company Solidere. This domination by a private actor, the Sunni Saudi-Lebanese billionaire Hariri, was possible because unlike the state institutions that had been marginalized by a protracted war he had the capability and means to completely take over this major task, influencing the political decision makers to achieve a transfer of power in favour of his planning proposal. His later position as prime minister allowed him to lift loyal supporters into influential positions in key institutions such as the Council for Reconstruction and Development or the local government of Beirut, thus managing to get official approval for his radical reconstruction programme against substantial opposition and criticism" (2007, 5).
16. But see Boyce on how little has been done—"accepted in principle" but almost nothing on "tools and capacities for implementation in practice" (2008, 24).
17. See "The Role of the Private Sector in Peacebuilding: Contribution of the PBC," summary of a strategy and policy discussion in the organizational committee of the UN Peacebuilding Commission, February 19, 2008; the conference concept note, "Private Sector Development and Peacebuilding—Exploring Local and International Perspectives," Berlin, Germany, September 14–15, 2006, organized by DFID, GTZ, International Alert, and the German Federal Ministry for Economic Cooperation and Development. See also International Alert 2006; Gerson 2001.

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18. Xavier de Victor reports encountering this view harshly in Bosnia and Herzegovina, when he was World Bank desk officer for Bosnia immediately after the Dayton Accords.
19. Ismail Rashid, personal communication, July 2007.
20. Jonathan Goodhand (2006) distinguishes three types of economic spheres during civil war—the combat economy, the shadow economy, and the coping economy—but Mwanasali shows in detail in the case of eastern Zaire/DR Congo how interlocked these spheres are and how particularly difficult it becomes for those whose primary focus is survival.
21. This is a widespread pattern. One example is Bayardo Arce, one of the nine "commandants" who governed Nicaragua in the revolutionary directorate during the 1980s. Arce, who is currently special adviser to President Daniel Ortega on economic and financial matters, is "now a prosperous businessman." See Kinzer 2008, 62.
22. The economic activities of former South African president Thabo Mbeki are widely cited to explain his particular foreign-policy choices in Africa, for example. Afonso Dhlakama, an opposition leader in Mozambique, who is prominent in the literature on transforming militias into political parties (because of the trust fund that UN SRSG Aldo Ajello used as an incentive to gain his support for the peace agreement and run for elections), has recently become the main (90%) shareholder in Socadiv Holding Lda, which specializes in exporting wood and assorted material such as scrap metal. See "Afonso Dhlakama Goes into Business" 2007.
23. On the Somalia case, see Marchal 2000, 3.
24. Carnahan, Durch and Gilmore 2006. Quotations are taken from the Executive Summary, 1–6.
25. A study of aid to Afghanistan by Acbar (an alliance of international aid agencies working in Afghanistan, including Oxfam, Christian Aid, Islamic Relief, and Save the Children), written by Matt Waldman of Oxfam, for example, "estimated that 40 percent of all aid money spent in Afghanistan had returned to the rich donor countries, especially the US, through corporate profits, consultants' salaries and other costs," with the added effect of "significantly inflating the cost of projects." Quoted in Norton-Taylor 2008.
26. An exception to this argument, that PSD receives little or no attention in the short term, may be the US project in El Salvador described by Peceny and Stanley, for a private-sector think tank, FUSADES. Though it was also not specifically focused on entrepreneurs, its goal of transforming economic ideology through the design of government economic policies did, they write, provide "an organizational base for the more diversified and modernizing sectors of the elite" (2001, 165).
27. Although this point was made above in relation to Central America, and thus, the United States, it is not specific to the United States, as the example of DRC makes clear, or even the IFIs. See the very friendly but illuminating discussion in this regard on Lusophone Africa by David Sogge (2006).

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