Development in an Insecure World

New Threats to Human Security and Their Implications
for Development Policy

Edited by

Olli Ruohomäki

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Foreword

New threats to human security have emerged on the global scene in recent years. They all share the common characteristic of transcending national boundaries and hence have far-reaching consequences beyond individual communities. In order to tackle these new threats, new forms of cooperation are required, together with improved management of globalisation. Bad governance, terrorism, poor foreign direct investments, the informal economy, environmental degradation, AIDS and other health threats, human trafficking, and small arms and light weapons, are particularly grave threats to human security. Human security obligations do not stop at national borders; they are global. To meet the new threats to human security, policies for security, trade and development must be mutually reinforcing.

As noted in the Government's Resolution on Development Policy of 5 February 2004, people and states in today's world depend on each other and affect each other's well-being in many different ways. As a responsible member of the international community, Finland promotes development and a more equitable division of the benefits of globalisation. This is our responsibility, and in this way we also build up the security, economic growth and fundamental well-being of our own society.

Finland is determined to increase the coherence of its security and development policy instruments in a persevering and constructive manner so as to increase global security and stability. Eliminating injustice and reducing poverty will serve to prevent threats to human security from emerging and spreading. Finland uses the instruments of development cooperation, trade and security policy, as well as other national policies, in ways that are consistent with each other. It is important to note that the activities of the public sector alone are not sufficient; there is also a need for cooperation and partnerships with the private sector, civil society, expert organisations and interest groups.

Policy-makers need thorough analyses on which to base their decisions, and this volume of essays makes a significant contribution towards that end. The collection of essays is important for the way it deals with momentous issues. It is also exceptional in that multidisciplinary studies on human security and the search for relationships between security, trade and development policies are rarely brought together in one volume.

What is now required is a new and determined commitment of political energy and a new sense of direction, a global redirection of political energy to the human security endeavour. Discussions about the concept of human security form part of the agenda of the Helsinki Process on Globalisation and Democracy (www.helsinkiprocess.fi), which is seeking innovative and empowering solutions to the dilemmas of global

governance. The Helsinki Conference of 2005, "Mobilising Political Will", calls for the renewed commitment of political energy and sense of direction to address some of the pertinent issues raised in this collection of essays.

Helsinki, March 2005

Paula Lehtomäki

Minister for Foreign Trade and Development

Erkki Tuomioja

Minister for Foreign Affairs

1. Introduction: Localising insecurity and seeking policy options to address threats

Olli Ruohomäki

1.1 Approaching the issues

The world has never seemed more free, wealthy and interconnected than it does at the dawn of the twenty-first century, economically, politically and technologically. The past 30 years have seen dramatic improvements in the developing world. Life expectancy has increased by eight years. Illiteracy has been cut nearly by half, to 25 per cent. In East Asia, too, the number of people surviving on less than one dollar a day has been almost halved in a mere decade during the 1990s. Yet it is a sobering fact that freedom from fear, freedom from want and, in particular, freedom to take action on one's behalf still remain major challenges for over a billion people in the contemporary world. Low life expectancy, social and economic inequality, poverty, reduced government revenue, lack of political freedoms, weak oversight over natural resources, and bad governance contribute to insecurity. Furthermore, with increasing globalisation insecurity has evolved and acquired transnational characteristics. September 11, 2001 and the subsequent "war on terror" marked a watershed in the sense that the North has become much more conscious of the fact that problems in the South do not remain there but affect the everyday lives of ordinary people everywhere.

   At the same time, there is an increasing understanding in development discourse of the close relationship between security and development. It is now widely accepted that security is closely interlinked with development and that they are mutually

reinforcing. There can be no development without security and no security without development. Comparative research points out that insecurity reduces growth, exports, consumption, government revenues, and the foreign and domestic direct investments that create jobs. Conversely, when income per person doubles, the risk of conflict is halved.

Traditional notions of state security and inter-state security have failed to make the world a safer and more democratic place to live in. The notion of human security has thus emerged as an alternative. The notion of human security puts more emphasis on the security of the individual and vulnerable groups. Human security is essentially about protecting vital freedoms. It means protecting people from critical and pervasive threats and situations, and building on people's strengths and aspirations. It also means creating systems that give people the building blocks of survival, dignity and livelihood. Human security connects different types of freedoms. Human security complements state security, furthers human development and enhances human rights. It complements state security by being people-centred and addressing insecurities that have not been considered as state security threats. While the development community has attempted to address development challenges with mixed results, new threats to human security have emerged which threaten to erode the achievements of the past.

1.2   Objectives and scope of the essays

The objective of this collection of essays is to explore and offer policy options to address new threats to human security that transcend national boundaries and give rise to major development challenges in the contemporary world. The essays specifically deal with the challenges of governance, terrorism, foreign direct investments, informal economies, environmental degradation, AIDS and other health threats, human trafficking, and illegal small arms and light weapons. Other threats to human security could be added to the list, but we believe that these are the most relevant ones in terms of development policy and aid responses. In addition to analysing the current position concerning each subject area topic, the papers offer development policy options for dealing with the problems from the perspective of development cooperation. The human insecurity that has resulted from these threats means that administering aid in the same way as before is unlikely to contribute to resolving the problems created by the threats. More importantly, the peace and prosperity of the whole world is at stake. Some of the essays argue that there is a need to review, and in some instances reorient, aid policy to better take the threats into account, coupling this with rethinking aid targeting, instruments, channels and methods. In some instances, it is more a question of implementing existing conventions and of putting the lessons learned into practice.

At times, it is also about better coherence between foreign policy, trade policy and aid policy. In most cases, it is really more about political will than anything else.

1.3 Themes and theses of the essays

Bad governance and fragile states

Olli Ruohomäki explores the political economy of bad governance with case studies from Nepal, Bosnia-Herzegovina, Liberia and the DR Congo, and examines its implications for the development of state structures. The quality of governance has become widely accepted as one of the key factors in determining the course of development in any society. Bad governance is inherently linked to poor performance and failed states. It is also a considerable risk factor in post-conflict situations. There are no easy answers for changing the quality of governance. Lessons learned to date show that real, sustainable, reform can only come from within a country, and outside assistance is at best a catalyst and facilitator. Focusing on governance implies working with governments and contributing to building their capacities to effectively manage state affairs and protect the public interest. It also involves fostering civil society and encouraging participatory approaches to public policies.

Ruohomäki points out that countries facing bad governance challenges should not be left to their own devices, as this tends to further complicate and compound the problems at hand. It is often the case that dialogue is conducted with countries when there is a crisis, or in response to specific events, such as a looming humanitarian disaster or a threat to security. Combining appropriate assistance with policy dialogue is more cost-effective than responding to a crisis that is already full-blown. While there is a consensus that injecting aid into well-managed economies gives a higher return and better results in terms of aid effectiveness, there is nevertheless a grave danger that a whole host of countries will become state failures, and that at the end of the day the price tag for fixing the problem will be astronomical, also in terms of human misery and suffering. Paul Collier and Anke Hoeffler of Oxford University have estimated that two new civil wars start every year, with economic costs of some 128 billion USD. There are serious implications for aid budgets. The current states of affairs in Afghanistan and Iraq, and the implications for the reorientation of aid budgets in most OECD countries, are cases very much to the point. Ruohomäki offers a policy agenda for better governance and examples of interventions, with key guiding principles that can be applied on a country-specific basis.

Terrorism

Terrorism has become a problem that transcends boundaries and impacts the lives of people in far away places that often have no direct links with the issues terrorists are claiming to pursue. **Timo Kivimäki** explores the way terrorism is understood in the current debate. He aptly notes that terrorism should be seen both as tactics and as a strategy of political influence. While the struggle is part of international communication, international communication is part of the struggle. Definitions related to terrorism are not only definitions; they are political actions in this struggle. Labelling somebody a terrorist has political consequences. This is especially so in the context of our post-September 11 world, in which globally shared images of destruction and pain are associated with both concepts. These associations become political reality when the universally perceived seriousness of the terrorist threat justifies extraordinary, sometimes violent or undemocratic, actions for the restoration of security. That is, killing in the name of security or anti-terrorist warfare gets a different, more acceptable framing. This is why definitions become matters of life and death in the prevention of terrorism. Kivimäki goes on to trace the origins of terrorism and the causes of terrorism in the countries that produce terrorists. He then concludes the essay by asking an important question: what could development cooperation, diplomacy and global dialogue do to reduce terrorist violence?

Foreign Direct Investment

Tuukka Castrén explores foreign direct investment (FDI), which comes in many sizes and shapes, and poses the question of whether FDI is a road to riches or to ruin. Private capital inflows have become an increasingly important factor in the developing countries' economies and resource mobilisation, as they are by far the most important source of financing for developing countries. This topic has also become highly controversial, and questions have been raised about whether the increased dominance of private capital flows will have counterproductive impacts on national development. Issues of polarisation and marginalisation between countries and within countries raise the issue of whether there is a "race to the bottom" through the increased competition for FDI and more complex outsourcing networks. Most national governments have gradually understood the role of stable macro policies and efficient governance in attracting and creating an enabling environment for business. Countries that have not engaged in the creation of such favourable business environments have been ignored when investment decisions have been made. This applies particularly to the case of manufacturing industries, which have a certain amount of flexibility when making their investment decisions. The situation is clearly different for resource-based industries,

which are bound by the random allocation of natural resources. Castrén's analysis of the corporate sector's involvement in the natural resources sector and the alleged "state capture" that occurs in extractive industries, with case studies of logging in Cambodia and oil revenues in Equatorial Guinea and Angola, reveals how mismanagement of natural resources and excessive rent-seeking by ruling elites have delayed the recovery and development of these societies.

It appears that there is not much evidence to suggest that the introduction of FDI and globalisation would have created a downward spiral in otherwise tranquil and well-governed societies. However, as the examples from extractive industries demonstrate, some companies have taken advantage of existing poor governance in developing countries. It also appears to be the case that in some instances low-tech manufacturing industries have established themselves in developing countries and taken advantage of lax labour law enforcement, although they have not necessarily contributed to the development of any lax laws themselves.

In terms of policy responses, much of the onus lies with the host country's governance environment. Strengthening national governance systems both at the technical level (accounting, fiscal planning and treasury management, for instance) and at the political level must be at the forefront of the development agenda if FDI is to be better channelled to poverty reduction. Castrén aptly notes that even if FDI is not the cause of development problems, it may be part of them - and hence a factor in the solution as well.

Economic governance and the informal economy

The issue of the large informal economy in developing countries has gained increasing attention in international development policy debates. Although the issue and the phenomenon itself are not new, some recent studies point out that informal economies are tending to grow in many parts of the developing world. It is thus not surprising that the majority of the labour force in many developing countries is engaged in the informal sectors. Although the informal sector provides important means of livelihood for many people, one interesting question concerns the long term societal consequences of a situation where the majority, or a large part, of the population work in the informal sector in parallel with a formal economy that is only able to provide direct means of livelihood for the minority. **Max von Bonsdorff** asks some pertinent questions about the relationship between the informal economy, economic governance and human security. What are the economic consequences of the fact that many self-employed actors in the informal economy lack the kind of protection and support which government policies often provide for formal sector employees and enterprises? What are the long term political implications for developing countries of situations in which

a large part of the population, particularly the poorest groups, are excluded from the formal economic structures? Is the result political instability and a growing sense of illegitimacy in relation to state governance structures? Von Bonsdorff concludes that the poverty reduction efforts of development policies need to be focused on the economic growth sectors of the economies in the developing countries, and in particular on the challenge of providing opportunities for the poor to participate in the markets on the same terms as those available in the more privileged sectors. This could have a huge empowering effect for the poor, which is imperative in order to strengthen the kind of political processes needed to tackle the inequalities and poverty challenges that exist in developing countries. The other possible scenario, that of growing informal economies and small formal elites in the developing countries, is not a promising one from a development and human security perspective.

The environment

The role of the environment in human development has been acknowledged for several decades. The Rio Conference cemented global environmental collaboration in the early 1990s. The recent award of the Nobel Peace Prize to a Kenyan environmental activist highlighted the consensus that environmental matters and conflict resolution must go hand in hand. Mr. Ole Danbolt Mjoes, Head of the Nobel Peace Prize Committee, formulated the matter well when he stated that: "Peace on Earth depends on our ability to secure our living environment." The essay by **Minna Haverinen** and **Matti Nummelin** reviews the overall development of discussion about environmental security and the nature of international crisis management. The aim is to generate discussion related to environmental issues and conflicts, including peace operations, and to the use of the environment as a tool for enabling peaceful development. The main part of the essay deals with such issues as the ways in which environmental issues figure as a source of conflicts; the ways in which the environment could be used as a tool for peaceful development; the connections that exist between environmental security and international crisis management; the nature of the main obstacles to achieving successful peace-building posed by the environment, and the actions that could be taken to overcome these obstacles. To illustrate their points, the writers provide case studies involving both the environment and security, such as climate change, water-related conflicts and civil-military cooperation in Kosovo.

Human Trafficking

Trafficking in human beings has become a major international concern across the world over the last decade. Due to its transnational nature, trafficking impacts virtually

every country at some level. Most known cases of trafficking occur in the sex trade sector. However, in addition to sexual exploitation, human beings are also being trafficked for informal labour, the commercial marriage market, the removal of organs, adoption, and so on.

Satu Lassila, **Venla Pärssinen** and **Katariina Sario** provide an overview of the key aspects involved in the debates about trafficking in women. They draw attention to problems related to the definition of trafficking and its linkages to prostitution, highlight the major international frameworks regulating trafficking, analyse the possible causes of the phenomenon through case studies concerning Thailand and Finland, and finally, based on the preceding, suggest some ways forward. Their main argument is that trafficking in women is closely related to deterioration in the women's economic situation and their increased economic vulnerability. Legislative solutions and judicial anti-trafficking measures alone are therefore not enough to improve the situation. The main focus of action should be on the development and implementation of macro-economic policies that pay adequate attention to female poverty, income generation and employment creation.

In terms of policy challenges and responses, Lassila, Pärssinen and Sario argue that there is a clear need to acknowledge that prostitution and trafficking are interrelated phenomena, but at the same time to treat them as being at opposite ends of a continuum. It is important to note that case studies from Thailand and Finland point to the fact that trafficking can almost always be linked to a failure to address the gender impacts of international and national economic policies that have negative impacts on women's capacities to cope with globalisation and the restructuring of economies. The authors point out that the Poverty Reduction Strategy Papers (PRSPs) that have become the new mantra within development discourse fail to address female poverty properly, and that superficial rhetoric around gender issues seldom translates into real action that addresses the root causes of female poverty and reduces the vulnerabilities that contribute to trafficking. They go on to recommend more in-depth research on trafficking, and also discuss how anti-trafficking strategies could be made more effective,

Health

In the report of the Commission on Human Security, several health challenges stand out as being closely linked to human security. The link between health and military security is fairly easy to see. However, the mere absence of war or conflict would not be perceived by most people as constituting a secure situation. In addition to periods of actual warfare, there are also periods of volatile pre- and post-conflict conditions that may be very long. The increasing fear of biological weapons, radiation and bioterrorism puts health very clearly on the security agenda.

The possible global spread of infectious diseases poses a major threat to security. Throughout history, diseases such as plague and smallpox have been fearsome killers, causing the deaths of hundreds of million people in mass epidemics. New infectious agents can rapidly cause outbreaks in different parts of the world, and with such sudden changes in disease patterns comes a loss of national capacity to cope. Recent epidemics, such as the Ebola virus and BST, "mad cow", disease, show how vulnerable modern societies are. New infectious agents are constantly appearing, and antibiotic resistance is also a complicated and growing challenge in the battle against disease. The anthrax attacks in the US showed how quickly risks can and do emerge. Even though the attacks resulted in only a few deaths, they gave rise to widespread fear and anxiety about insecurity.

Poverty, deprivation and violence are major health threats related to crisis situations and the lack of security. They are clear risk factors regarding health deterioration, but also aggravate other health and social problems. Preventable diseases, nutritional deprivation and unsafe births are concentrated among poor people, as is lack of clean drinking water and poor sanitation. Moreover, violence outside defined conflict situations is a major public health problem. Gender-based violence undermines security for women worldwide every day.

Gisela Blumenthal explores the links between security and health. She argues that there is still a long way to go to attain the WHO goal of health for all. Behind the international consensus that the primary emphasis in development policy should be on combating poverty is the recognition that unless the reasons for deprivation and conflict are dealt with, development will not happen. The nature and timing of natural or man-made threats to people's health are impossible to foresee. But it is possible to identify factors and situations that might develop into crises, and to make preparations for different eventualities. There is already a vast amount of accumulated evidence on how coordinated responses to crisis situation do or do not function.

No single country has sufficient systems or resources of its own to control fast-spreading new epidemics or to combat the basic underlying causes of ill-health. Accumulated knowledge, best practices and epidemiological news are common public goods that must be used in solidarity to benefit the global community. SARS would probably not have been controlled had a massive international effort not been made, and failure to control it would have resulted in huge costs both for WHO and for the countries involved.

In the ambitious attempts to raise more funds and to grapple with emerging health threats, new coalitions are constantly being formed. Even though most development policy actors seriously try to focus on country processes and strengthening developing country ownership, there are still many forums which deal with the same health issues with only slightly varying constituencies. True alignment and harmoniation is a long

term process that has only just begun. To make better use of the existing forums and avoid needless investment in inventing new ones constitutes a major challenge. Better consultation of civil society is in any case a cost-effective approach.

The international collaboration between local health control networks and the world's public health experts was successful in combating the SARS epidemic. Learning to work as global partners is essential for preparedness and response in cases of epidemics. Lessons learned particularly from the context of infectious disease include the need for more prompt and open reporting of any emerging disease with potential international significance. Various alternative and unofficial information sources must be better used. The different parties involved, such as health professionals and foreign policy actors, need to work closer together. Other actors in addition to the traditional stakeholders are also important for building optimal responses at country level. Coordination mechanisms are needed to make even better use of such resources as NGOs, interest groups, political movements, academic institutions and aid donors. In-country capacity building is central to any health strategy and, even though it is evident during crisis response and transition periods, still more effort is needed to strengthen recovery and crisis prevention.

Achieving human security goes beyond combating infectious diseases. A key part of crisis prevention and resolution lies in building and repairing basic health systems. Functioning and accessible institutions, together with guiding norms and best evidence, provide the basic structure through which to address insecurities and to promote stability, also on a long-term basis. But at the cutting edge of all efforts to combat health threats are the people who are actually threatened. More emphasis has to be put on people's possibilities to influence their own health. The goal of health for all will be much closer when health systems are able to shift from being reactive disease-treating institutions to become pro-active health promoting entities.

Small Arms and Light Weapons

Timo Kivimäki and **Olli Ruohomäki** argue that illegal small arms and light weapons (SALW), and their illegal production, possession and trade, threaten overall human security as such rather than constituting a purely traditional security threat to sovereignty, territorial integrity or vital state institutions. The SALW problem also undermines human security in very concrete terms. Even though the problem is by no means restricted to developing countries, there is a high correlation between the use of illicit small arms and light weapons on the one hand and violent conflict, weak governance and underdevelopment, on the other. This has been clearly exemplified by such cases as Afghanistan, Somalia, DR Congo, Albania, and others. Furthermore, the proliferation of small arms and light weapons has a structural effect, creating *security*

dilemmas in countries with weak governance structures. The armament of one ethnic, religious, regional, or political group is perceived as a security threat by others, creating a spiral of mistrust, insecurity and competition in armaments. Illegal small arms and light weapons are thus also catalysts and multipliers of violent conflicts, terrorism and organised crime, as can be seen in the case study of Aceh.

Since the mid 1990s, the international community has made progress in tackling the SALW problem in ways that range from international and regional agreements, arrangements and moratoria to the *UN Conference on Illicit Trade in Small Arms and Light Weapons in All Its Aspects* and the connected *Programme of Action on Small Arms and Light Weapons.* All of these attempt in some form to address the supply, demand and misuse of small arms and light weapons.

It is important to note that tackling illicit trade in small arms and light weapons is not sufficient by itself, because legally acquired weapons also fall into the hands of indiscriminate killers and human rights abusers. There is an ongoing discussion about the need for a restrictive code of conduct on arms transfers, better known as the Arms Trade Treaty. This convention would ban the transfer of arms that could be used to seriously violate established standards of human rights, humanitarian law and non-aggression. It would also require exporting states to avoid the sale of weapons that could have an adverse impact on sustainable development or on regional peace and security. These are all laudable efforts and should be encouraged and supported by all parties concerned.

From the viewpoint of developing countries suffering from significant SALW problems, the various initiatives and efforts have had mixed success. There are encouraging examples of addressing the SALW problem in places such as northern Mali, but also disappointing failures in such places as Afghanistan. The lesson to be learned seems to be that it is extremely important to emphasise that the SALW problem cannot be tackled in isolation from the context of development and enhancement of human security. The annual value of the illicit arms trade is estimated to be one billion dollars, which is a sobering reminder that the magnitude of the SALW problem is so great that there are no simple solutions. From the viewpoint of development policy, no amount of worthy efforts in building norms and implementing collective control measures are enough by themselves. Much work also needs to be done to foster security by improving the governance capabilities of the state security structures to assert the state's legitimate monopoly of violence, and by enhancing human security through a multipronged approach addressing poverty, marginalisation and bad governance.

1.4 A perspective in need of resolution: financial priorities and political will

Reading the essays, it is important to keep in mind that the major obstacle to addressing the various threats to human security is not the lack of funds, but rather the lack of political will and wrong priorities. When we consider aid spending versus military spending, it is a sobering fact that the resources used for aid amount to only about seven percent of the resources absorbed by the military worldwide (USD 56 billion in contrast to USD 794 billion). It has been estimated that the elimination of starvation and malnutrition would require USD 19 billion annually, the prevention of soil erosion USD 24 billion annually, reproductive health for all women USD 12 billion annually, clean water USD 10 billion annually and the elimination of illiteracy USD 5 billion annually. Altogether this is less than 9 percent of the amount spent annually on military worldwide. When we consider that it is the new threats to human security that really matter to development and peace, it is obvious that security policy needs to take into account development discourse. We place the burden and the responsibility of addressing the threats to human security squarely at the feet of global policy makers.

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2.   The bad governance challenge facing fragile states

Olli Ruohomäki

1. Introduction

"In every country the process is different, although the content is the same. And the content is the crisis of the ruling class's hegemony, which occurs either because the ruling class has failed in some major political undertaking ... or because huge masses ... have passed suddenly from a state of political passivity to a certain activity; and put forward demands which taken together, albeit not organically formulated, add up to a revolution. A 'crisis of hegemony' is spoken of: this is precisely the crisis of hegemony, or crisis of the state as a whole." Antonio Gramsci – Prison Notebooks

Political repression, high levels of corruption, systematic human rights violations and violent internal conflicts are associated with regimes that practise bad governance. Such regimes tend to be unresponsive and unaccountable to the public. Regimes characterised by bad governance often cling to power by whatever means at their disposal. In the past, *coup d'etats* tended to be the common avenue to power for the leaders of these regimes, but nowadays the methods for coming to power and staying in power have become more sophisticated. It is in fact very common that the formal procedures for holding elections are followed, but very little space for meaningful competition is allowed. If the ruling party fears losing power through the ballot, the elections are held in a climate of fear and the election results are manipulated in ways that are designed to ensure victory for the ruling party. Hence, elections are used only to legitimise power.

Regimes practising bad governance come in many shapes and forms, but what they all have in common is a lack of political commitment to reform, despite the dire consequences to social and economic development and the welfare of the public. Such regimes tend to attract unscrupulous elements of the criminal world, and in the worst cases they become havens for terrorists. At the extreme end of the continuum is the collapse of the state, a situation characterised by an absence of a functioning central government. Somalia became the epitome of the "failed state" at the beginning of the 1990s and a number of other countries - DR Congo and Afghanistan, for example - joined the ranks of failed states. A large number of countries, particularly in Sub-Saharan Africa, belong to the category of "fragile states", which denotes states with very limited capacity to provide security and basic public services for their citizens.

It is very challenging for the international community to come to terms with regimes characterised by bad governance, not to mention failed states. The current development discourse puts the term "partnership" at centre stage. This involves political commitments to poverty reduction as well as financial and technical engagements. A partnership cannot flourish if one partner is not committed to commonly agreed goals and plans of action. In terms of aid effectiveness there is a clear temptation to abandon regimes practising bad governance to their own devices. But then there is a moral dilemma involved: it is usually the poor who suffer the most, yet they are not responsible for the actions of the leadership. Hence, the concept of "difficult partnerships" has been devised to characterise regimes practising bad governance.

It is the aim of this chapter to explore bad governance as a development problem, and to analyse some of the key lessons learned in contemporary development discourse dealing with difficult partnerships, failed states and post-conflict situations, all of which are essentially fragile in one way or another.

Before delving deeper into the world of bad governance it is worth briefly noting the global demand for good governance.

2. Dialogues about governance: main issues and basic principles

All around the world, discussions about development are placing more emphasis on institutions and governance. For example, the UNDP Human Development Report 2002 was devoted to addressing the role of democracy and good governance in contemporary development processes. The World Development Report 2000/2001, "Attacking Poverty", discussed the importance of making state institutions more responsive to poor people. In a similar vein, governance issues have become a standard feature of all Poverty Reduction Strategy Papers (PRSPs), which are now the main road maps for development processes in most developing countries. Some analysts

have noted that there is a clear shift away from the "Washington Consensus"-dominated discourse on rolling back the state, and towards strengthening the role of the state, even to the point of making state-building the subject of a whole new agenda (Fukuyama 2004). Debates have focused on the effectiveness of public institutions and the rules for making markets work and promoting economic growth. There is an emerging consensus that the principles of accountability, transparency, participation, equality, decency and efficiency constitute the basic elements of good governance. Accountability refers to the government's answerability to the law and to the people. Transparency refers to the openness of the governance process. Participation basically means the inclusion of different voices in public decision-making processes. Equality refers to the fact that the rules and procedures of governance are to be applied equally to all individuals without any prejudice related to race, gender and social status. Decency means applying the rules and procedures of governance in such ways that no undue harm or nuisance is incurred by the citizens in their dealings with governance structures. Efficiency is a more technical principle, related to the clarity and unambiguity of the rules and procedures of governance that are applied.

When institutions function badly human development is curtailed, and poor and vulnerable people suffer most of all. Governance is the process whereby public institutions conduct public affairs, manage public resources and guarantee the realisation of human rights. Good governance accomplishes this in a manner that is essentially free of abuse and corruption, and with due regard for the rule of law.

The true test of good governance is the degree to which it delivers on the promise of human rights: civil, cultural, economic, political and social rights. This has led some development agencies to use the notion of democratic governance as a substitute for good governance in order to underscore the values of democracy and democratic processes. For example, the Nordic development agencies and UNDP use the term "democratic governance" in their policy papers. Nevertheless, the key issue is the question of whether the institutions of governance effectively guarantee the right to health, adequate housing, sufficient food, quality education, fair treatment, justice and personal security. Regimes characterised by bad governance cannot deliver on these rights and lack the will even to try to reform the practices. It is worth noting that culture and historical circumstances have no bearing on the good governance debate. UN Secretary-General Kofi Annan puts it aptly when he notes that "obstacles to democracy have little to do with culture or religion, and much more to do with the desire of those in power to maintain their position at any cost."

3. The political economy of bad governance

If there is an emerging consensus that good governance is a constitutive element of development, why is it that so many regimes in the world still practice bad governance? The question may be superficially simplistic, but on a deeper level the answer has to do with the political economy of bad governance. In situations where rules and decision-making procedures are unclear and there is a lack of transparent and accountable institutions, where the rule of law does not prevail and civil society is unable to act as a watchdog regarding the wrongdoings of the rulers, there is much scope for the misuse and abuse of power for private gain. It is in such situations that the political economy of bad governance takes over and acts as a conduit for a seemingly endless cycle of mismanagement.

The following sections address the notion of the shadow economy and its relation to bad governance, with case studies to illustrate the points made.

3.1 Shadow economies and corruption

The size of the global shadow economy is extremely difficult to estimate, but some analysts argue that during the 1990s the average size of the shadow economy varied from 12 % of GDP in OECD countries to 23 % in transition economies, and to 39 % in developing countries. The IMF estimates that global GDP in 1998 was 39 trillion dollars. One estimate puts the world's shadow economy at a staggering 9 trillion dollars per annum. The economist Friedrich Schneider (2003) points out that in emerging economies the shadow economy is driven not so much by the incentive to evade taxes, which tend to be lower than in rich economies, as by the desire to evade the law. For instance, Thailand's thriving shadow economy largely consists of crime: gambling, narcotics and the sex industry.

Shadow economies can be broadly divided into four components; criminal, irregular, household and "informal" sectors. The irregular, household and informal sectors in particular constitute forms of the shadow economy upon which millions of people depend for their livelihoods, and at times for their very survival. The problem with a shadow economy is that even though it generates significant amounts of wealth and creates jobs in the legal sectors, the activities in the shadow economy come at a price. The state faces the considerable cost of preventing criminal activities. Furthermore, the effective management of the economy by the state is undermined as its taxation and foreign exchange base is eroded by the rapid flight from the official to the underground economy. Above all, the rule of law is undermined and it is extremely difficult to reverse the negative consequences, as the experience of many transition economies shows.

The criminal component of the shadow economy is of particular concern because of its damaging consequences for the development of societies plagued by a criminalised economy. Criminal elements often operate in collusion and complicity with state functionaries who siphon off their share of the illegal proceeds. Narcotrafficking, the illegal diamond trade, illegal logging, and the smuggling of agricultural and consumer goods are prime examples of commodity transactions that fall within the sphere of criminalised economies. There also appears to be a strong correlation between corrupt governance (as discussed in the next section) and criminalised economies. As Hirshleifer (2001) aptly points out, advantageous opportunities for exploitation will not be ignored.

Collier (2002) pertinently notes that countries that rely on primary commodity exports are particularly vulnerable to violent conflict. It is perhaps not surprising that countries which export oil, minerals, diamonds and timber figure prominently in the list of countries that have experienced violent conflict in recent years. These include Angola, Sudan, Liberia, Sierra Leone, DR Congo and Cameroon, amongst others. One of the main factors contributing to the problem is the very weak governance structure in these countries. According to Transparency International's Corruption Perception Index 2003, many of them are among the most corrupt countries in the world. In these countries there is a strong nexus between the small and powerful political elite, backed by the armed forces, and the criminal underworld networks that control the shadow economy. (See "Case Study: Central African trade in conflict and illicit diamonds" for an example of this kind of nexus). There is very little incentive for political and economic reform in such societies, because more transparent and accountable governance structures tend to weaken the grip of the players involved in the shadow economy.

Case Study: Central African trade in conflict and illicit diamonds

In a study of Angola's war economy, Jakkie Cilliers (2000) appositely notes that the increased importance of the informal polity and economy in Africa is often a response to inappropriate economic policies, donor prescriptions, authoritarian and illegitimate governments or exploitative elites, and these are major factors leading to resource wars on the African continent. Perhaps the best-known examples are the resource wars based on "conflict diamonds". Conflict diamonds are considered to be diamonds that fuel and finance conflicts in Africa, particularly in places such as Angola, DR Congo and the Central African Republic. The conflicts in Sierra Leone and Liberia have also been fuelled by diamonds. Political elites in weak or failing states have survived on the strength of informal networks that are intertwined with criminal syndicates.

Although hundreds of thousands of miners and middlemen survive on the trade in conflict diamonds, and a number of entrepreneurs have become rich, the diamonds have mostly brought havoc and ruin to the populations at large. Dietrich (2000) estimates the combined output of Angola, DR Congo and the Central African Republic in 2000 to be some 2 billion US dollars. Yet these countries are major recipients

of humanitarian aid and disaster relief. There is obviously a serious mismatch between the availability of natural resources and the use to which they are put.

It is important to note that there is a grey area between conflict diamonds and illicit diamonds in that the voluminous illicit diamond traffic, which has been tolerated by the legitimate diamond industry and many governments, provides a cover under which the more deadly conflict diamonds are traded. Networks involved in the diamond trade can easily obtain certificates of origin from other African countries through bogus paperwork by corrupt government functionaries. The complicity and lack of transparency of the legitimate diamond industry in the developed world does not help the situation. It is therefore reasonable to say that there is a strong nexus between the shadow and formal economies in the trade of conflict and illicit diamonds.

The Kimberley Process is an attempt by the international community to address both the supply and the demand side of the problem by creating a global diamond certification system. All rough diamonds moving between countries are to be accompanied by a government certificate of origin. Furthermore, monitoring systems are being developed to accompany government supervision with respect to export and import controls. This is a highly laudable effort, but requires concerted efforts to penalise those parties that fail to comply.

3.2 Contemporary political complexes

Difficult partnerships, fragile and failed states and post-conflict situations are all contemporary political complexes that differ significantly from the democratic, or democratising, states that have come to dominate the political landscape since the end of the Cold War. From the aid perspective they present challenges to the international community that differ somewhat from those of the more traditional aid partnerships, and consequently require different responses. The following sections deal with each type of political complex, with examples from recent history to illustrate the points made.

3.2.1 Difficult partnerships and poor performers

The end of the Cold War ushered in a wave of democratisation. According to the UNDP Human Development Report 2002, some 80 countries took significant steps towards democracy and today 140 of the world's nearly 200 countries hold multiparty elections. Dozens of military dictatorships were replaced by elected civilian governments in Latin America; the collapse of communist regimes in Eastern Europe and the break-up of the Soviet Union brought multiparty governments in place of the former one-party regimes; in Sub-Saharan Africa the tradition of changing governments by coup d'etat declined; and there were even liberalising trends in some Middle-eastern countries.

The historian Francis Fukuyama saw an "end of history" in the liberal movement when he noted that on both the communist Left and the authoritarian Right there was a bankruptcy of serious ideas capable of challenging democracy as an ideology of

potentially universal validity. Authoritarian regimes fell, one after the other, as they were not able to sustain the internal cohesion of strong governments. Their failure can be partly attributed to their lack of legitimacy in the eyes of the public. When authoritarian governments met with failure in different areas of policy, there was no higher principle to which the regimes could appeal. Use of force could only be sustained for a time and eventually authoritarian regimes crumbled into factional fighting amongst the leadership and loss of faith in the system by the public.

It is appropriate to note that in many ways the 1990s can be described as the decade of the triumph of democratic governance. There was a sense of a new era dawning, with the promise of a more just world. Nonetheless, at the turn of the millennium it became clear that the era of democratisation was over. A number of countries have entered a new era of not quite having fully matured as robust democracies but not necessarily turning back to the old authoritarian ways of governance. They have been left in a grey zone where democracy remains shallow and troubled. These countries appear to oscillate between different forms of semi-authoritarianism, a situation that political analyst Thomas Carothers (2002) has called "feckless pluralism". In feckless pluralism there is considerable political freedom, regular elections and alternation of power between different political groupings (cf. Ottaway 2003). Yet political participation hardly extends beyond voting, and political elites are perceived as corrupt, self-interested and ineffective. The public is seriously disaffected from politics, but still clings to the ideal of democracy. Part of the problem appears to be that democratisation did not deliver the material goods it was perceived to promise at the beginning of the democratisation era. This is hardly an indication of democracy's not being an appropriate system of political participation. Rather, much of the problem has to do with bad governance and the associated poor economic policy, tenuous social and political reforms, and alienation of the political class from the citizenry.

It also appears to be the case that many of the countries that have been labelled as "difficult partnerships" and "poor performers" belong to this category of semi-authoritarian states. "Difficult partnerships" is a term coined by the aid community to characterise governance contexts in which there is a lack of commitment to the good governance agenda. They are also sometimes referred to as "poor performers". Countries belonging to this category by no means constitute a unified block, rather they comprise a broad spectrum of cases of poor policy and bad governance environments. They all tend to share the following characteristics: severe human rights violations, repression of minorities, lack of transparency and accountability, serious corruption, and lack of genuine participatory development. Although there are a number of structural causes for poor performers, it would appear that the quality of political governance is the key factor in all cases. (See "Case Study: Nepal's difficult political transition" for an example of a country with serious problems regarding the quality of political governance).

Weak capacity is a problem that can be addressed, even with scarce resources, but reforms cannot succeed if there is no political will at the top.

Case Study: Nepal's difficult political transition

Nepal is an example of a country that has experienced tumultuous and at times violent political upheavals for the past decade, resulting in wanton destruction of collective property and the loss of thousands of lives. Nepal is also unfortunately a classic example of a country in which little sustainable development can take place despite poverty alleviation programmes. The crux of the problem is bad governance that is not conducive to stability and economic growth.

Since 1990, Nepal has held many multiparty elections and experienced frequent apparent changes of power, yet there is little real sense of democratic accountability or of deep-reaching democratic change. It is paradoxical that following the rise of the 1990 democracy movement and the opening of political space in Nepal, the country witnessed the rise of a Marxist revolutionary party aiming to overthrow the elected government. Some observers argue that a partial reason for this is that the Nepalese political elite was not able to create a sufficiently participatory and inclusive form of democracy. It appears that although the 1990 democracy movement had broad support from the public it was not able to mobilise the rural population, leaving a political vacuum in the countryside. Thus, the Maoist movement was able to seize the opportunity and marshal a significant part of the population behind its agenda. However, it is also true that large segments of the rural population do not support the Maoist agenda. The hard stance taken by the government and measures taken by the security forces (especially "Operation Romeo" in 1995 and "Kilo Sierra" in 1998) have not been particularly helpful in gaining the support of the public at large.

At the structural level, there are some extremely challenging problems in the political architecture that contribute to the lack of progress. The current Nepalese electoral system emulates the majoritarian model of the British system. This is not particularly appropriate for a multiethnic and socially complex society because it easily leads to a situation that excludes minority representation in the political process. An electoral system based on proportional representation would be more appropriate for a country such as Nepal. In addition, the 1990 constitution has some problem areas, such as the linking of the state with Hinduism despite the fact that there are a considerable number of groups who profess other faiths. The Maoists' calls for constitutional amendments in this respect are understandable.

The interesting thing is that the majority of the population still supports democracy as an ideal, but does not support the current parties or the values they stand for. Political competition is perceived to be between deeply entrenched parties that essentially operate as patronage networks and never seem to renovate themselves. What are the solutions to Nepal's problems? There are no easy answers, but the major issue revolves around the quality of political governance. Issues surrounding accountability and transparency should figure more prominently in the political debate, with dominant-power politics receding in importance. A complex and multiethnic society such as Nepal can only proceed on the path of development if the concept of citizenship, stripped of class, religion and ethnicity, can become more pronounced in the public debate, with safeguards guaranteeing equal rights written into the constitution. In addition the element of state-building (which is essentially about bolstering state capacity to deliver services and development to the public) should figure more prominently in aid programmes.

3.2.2 Failed states, warlords and strongman entities

The situation of state failure can be described as what Zartman (1995) terms "state collapse", which is a situation where "the structure, authority (legitimate power), law, and political order have fallen apart and must be recognised in some form, old or new." From a governance perspective there are variations to be found in the concept of a failed state. In one type of failed state, power devolves to the peripheries when (because) there is infighting within the centre itself. Examples of political centres that are too busy defending themselves against attacks from insider colleagues to hold onto the reins of power over the countryside have included Somalia, Liberia and DR Congo. In another type of failed state, power withers at the centre by default because central government loses its power base. Once again Mobutu's policies provide an example. The collapse of public infrastructure in Zaire was in great part a consequence of Mobutu's lack of attention to the country's social bases, and his restriction of appointments exclusively to members of his own family and ethnic group. State failure may also result from a government's malfunctioning in avoiding necessary but difficult choices. Such cases of "running away from difficulties" culminate in institutional incoherence and chronic avoidance behaviour to the extent that governance mechanisms are quite unable to deal with challenges faced. Many poor developing countries face this situation. In yet another type of failed state, the incumbents practice only defensive politics, concentrating on procedure rather than on substance. The measures of repression and concession adopted present a major problem for any reform agenda, as they are used not only to ward off opposition but also to deny the very existence of agendas for participation and programs. Civil society lacks a platform, and elections are postponed. With democratisation trends running into serious difficulties in many parts of Africa, Central Asia, the Middle East, and even some Latin American countries, this type of state failure appears to have become a rather common form of political formation in the contemporary world. A state can also be in extreme danger of collapsing when the centre loses control over its own national agents, and they begin to operate on their own account. In this situation corruption is the heart of the problem. The two latter types of state failure can perhaps more appropriately be described as "weak states", but the differences between weak states and failing states are more imaginary than real.

   In cases that can be characterised as failed states, warlords and strongmen emerge as the new non-state forms of regulation and legitimacy. They establish themselves by forging alliances through patronage networks with local leaders who remain loyal as long as they benefit from the alliance. Shifting loyalties and factional fighting are typical of areas governed by warlords and strongmen. It should be noted that modern warlords and strongmen are very much linked to regional and world economies by the

commercial networks through which they fund their activities. Natural resources, particularly diamonds, minerals, timber, opium-producing poppies and oil, form the basis for funding their power bases. It is also relevant to note that non-state forms of regulation and legitimacy also emerge in situations where a central government does exist, but its grip on the periphery is nevertheless contested by local warlords and strongmen. Jonas Savimbi's UNITA and his control of the diamond trade in Angola throughout the 1990s is a good illustration of this. In some instances, smuggling of contraband and narcotics forms an important part of a warlord's revenue base. The links between the opium trade and Khun Sa in Myanmar in the 1990s provide an example of a local strongman establishing and maintaining a power base through narcotrafficking. Yet other individuals and groups maintain their power bases through violent crime and kidnapping: the FARC in contemporary Colombia is a good example of this.

For the international community, the main problem regarding failed states, war lords and strongmen is that there is very little that the international community can do, either because there is no representative and legitimate government with which to maintain a dialogue or because there is little in the way of incentives that the international community can offer to motivate a change of behaviour. Almost by default, many of the failed states have become safe havens for organised crime and terrorists. Given the very fact that failed states become outcasts in the contemporary world order, they are susceptible to unscrupulous actors grasping the opportunity to take advantage of lawlessness and the state's own institutions for their own criminal ends. (See "Case Study: Charles Taylor's National Patriotic Front of Liberia" as an example of unscrupulous actors taking over the state.) Whatever the local power structures that may be in place, they are easily cajoled into cooperation provided there are enough rewards available. Failed states present a serious threat, not only to the security of their neighbours but also to the whole international community at large.

Nor should failed states be facilely dismissed as idiosyncratic phenomena of governance failure. On the contrary, it is very likely that given the grey continuum between weak states and failed states, and the different causes leading to failed states discussed above, there is a high likelihood of them emerging in the future as alternative, albeit brutal, forms of political power. One could argue that different ideas of what constitutes a "state" may have an impact on one's understanding of what a "failed state" is. A "state" in a non-Western, non-Weberian sense may carry on existing for a long period of time, even though it does not exhibit the functions characteristic of a "state".

Case study: Charles Taylor's National Patriotic Front of Liberia

Charles Taylor, the leader of the National Patriotic Front of Liberia, was a good example of modern warlord who established himself in power by force and coercion, and maintained power by engaging in illegal trade in diamonds, timber and agricultural products with foreign firms and commercial networks. His rise to power was preceded by rivalries between various indigenous groups in search of state power. Widespread corruption and the exile of Americo-Liberian elites brought economic chaos and deeper ethnic hostility, paving the way for a civil war that lasted throughout the 1990s. The civil war also reflected a profound crisis in the system of patronage allied to overseas business, which failed to deliver any development to local communities. The control of diamonds became the main source of competition, and factional networks were based on the coercion and violence that had become a way of life. In this process Charles Taylor emerged as a strongman who was able to take control of state power through personalised alliances and patrimonial networks. Some observers have noted that Charles Taylor's rule, albeit coercive and violent, was an innovative way of projecting political power. In a way it appears that his rule was a kind of transformed "patronalism" representing an alternative to the modern bureaucratic state.

3.2.3 Post-conflict situations

Post-conflict situations present a particularly challenging context for governance. In most cases the state institutions have ceased to function, or else they are very weak and face numerous challenges and obstacles. There is a chronic lack of capable personnel as many able people have been killed or have fled abroad. Public infrastructure is damaged. There is little institutional memory in place because records and documents have been destroyed. Policies and guidelines have to be created from scratch. At the same time, the needs of the population must be addressed, refugees and displaced people must be resettled, ex-combatants must reintegrated into society, critical infrastructure must be rehabilitated, public services must commence operations, and the economy must be jump-started. Furthermore, the security environment is often very volatile and negotiated peace settlements remain fragile. The term "recovering state" has been used to describe some post-conflict situations. This may be appropriate in some cases, where a clear trajectory of recovery is foreseen, but more often than not post-conflict situations may lead to a lapse into violence so the term "recovering" cannot be used as a simple substitute for the term "post-conflict".

The bad governance that is frequently one of the reasons leading to violent conflict does not necessarily disappear once the conflict is over. Rather, bad governance can be an extremely potent force in the new structures of governance. The main reason for this is that in almost all the peace settlements the former warring parties are part and parcel of the post-war settlement. For example, there is evidence from Cambodia, Bosnia-Herzegovina, Afghanistan and Lebanon that former warlords, entrepreneurs and militia leaders have become part of the new governance structures. Although post-

conflict situations offer opportunities to start a new chapter in local history and set former wrongs right, it is crucial to bear in mind that from a governance perspective things can go off their intended tracks very early and getting them back on track can be an uphill struggle for the new governments. The quality of political governance is extremely important at this stage. Given their scarce resources and the delicacy of peace settlements, incumbent governments must make difficult choices and risk upsetting parts of the population who are expecting peace dividends to come their way. It is almost inevitable that parties who have benefited from the political economy of war demand a share in the spoils of reconstruction. Otherwise they could jeopardise the peace process altogether. Reconstruction processes also attract various types of predators who are in for quick profits. Corruption enters the picture in the form of shady deals, misuse of public positions, and conflicts of interest (cf. Le Billon 2001). As a result a society emerges that thrives on the informal sector and the partly criminalised economy. (See "Case Study: Shadow Economy and Corruption in Bosnia-Herzegovina" for an example of such a society).

The international community is often at a loss in these situations because there are immense pressures to agree peace settlements and commence reconstruction efforts. To exacerbate the problem further, aid agencies have delivery pressures of their own, and many post-conflict reconstruction processes suffer from the 'front-loading' syndrome of aid when local governance structures do not have enough absorption-capacity to deal with all the aid involved.

Case Study: Shadow economy and corruption in Bosnia-Herzegovina

Bosnia-Herzegovina offers an interesting case study of a post-conflict situation, rife with organised crime, money-laundering, smuggling, and all sorts of seekers of spoils. It has unfortunately also demonstrated the correlation between corruption and political violence. A particularly serious challenge has been the enforcement of the rule of law, which is a prerequisite for sustainable investment. In 2003 Bosnia-Herzegovina ranked number 70 in the Corruption Perception Index, behind such countries as Mexico and Colombia. Corruption continues to pose challenges for long-term economic development in Bosnia-Herzegovina. The governance structures set up as a result of the Dayton Peace Agreement are not particularly helpful in curbing corruption. The Dayton Agreement created the Croat-Bosniak Federation and Republik Srpska, with Bosnia-Herzegovina being divided into ten cantons with considerable power and their own governments. It should be noted that during the war nationalist parties controlled various regions and funded political and military activities by controlling the movement of fuel, tobacco and foodstuffs. There were numerous networks premised on trust and loyalty, and alliances between politics and crime. Dayton failed to dismantle the domestic power structures, leaving political parties to pursue their own agendas on national and cantonal levels. In addition the concept of "citizenship" was weak. To exacerbate the problem further, Bosnia-Herzegovina's state structures are weak and fragile, providing an institutional environment in which it is easy for corruption to flourish.

The legal system, too, is weak and there appears to be evidence of political influence over the courts. The black market continues to survive, and it is estimated that approximately 50 % of Bosnia-Herzegovina's GDP is based on black-market commerce. This means the loss of hundreds of millions of US dollars in potential tax revenue. Individuals and informal organisations are also active in the shadow economy. In fact, the existence of shadow networks is a condition for the maintenance of connections within society, as Bosnian society shows. The Bosnian security landscape has been shaped by the relations between organised crime syndicates and political leaders. It is believed that profits from the narcotics trade supported the illegal institutions created by ethnic extremists. Criminal leaders are willing to threaten judges, prosecutors, police officers, lawyers, and witnesses, in order to coerce them to act as those leaders wish. In some cases the official administration is very much involved in the illicit activities of the shadow economy, as the Belgrade administration was in the Balkan heroin route. Additionally, the channels for flows of shadow economy profits are almost always international, whether in connection with drug smuggling or with money laundering.

4. Coping with bad governance, difficult partnerships, failed states and post-conflict situations

The analysis of the political economy of bad governance in the previous sections makes it clear that there are no simple answers to the question of how to deal and cope with bad governance, difficult partnerships, failed states and post-conflict situations. The following sections outline some of the key lessons learned and propose a policy agenda for better governance.

4.1 To engage or not to engage?

Given the very challenging circumstances of difficult partnerships, failed states and post-conflict situations, and their proneness to a vicious circle of bad governance, it is easy to become cynical and write these situations off as "basket-cases". Cases from the field (Wallensteen 2001) suggest that aid conditionality is not very effective because there are very few incentives for the power elite to change and reform: more often than not such elites stand to lose from better governance structures. Experience also seems to suggest that change and reform can only be achieved if there is political will at the very top. Non-state actors can certainly put pressure to bear on the governance structures and call for change, but sustainability depends on the willingness and capacity of the government to pursue change. Should the difficult partnerships, failed states and post-conflict situations therefore be abandoned to their fate? With increasing polarisation in the world between the "haves" and "have-nots", the difficult partnerships, failed states and post-conflict situations represent the extreme end of the continuum of the "have-nots". Since there are very few positive examples of the international community managing to steer change and get the situation back on track, such a

laissez-faire attitude is certainly tempting. Notwithstanding the moral dilemmas involved, however, experience appears to suggest that abandoning difficult partnerships, failed states and post-conflict situations is also very costly in financial terms. With increasing globalisation, the spill-over effects from difficult partnerships, failed states and post-conflict situations affect not only neighbouring states and regional areas, but also the whole world community at large. At one point or another the international community is compelled to act, even if only to contain the problems. A recent Carnegie Commission study on Preventing Deadly Conflict estimated that the cost to the international community of seven major wars in the 1990s was USD 199 billion, not including Kosovo or East Timor. When the costs of these two conflicts are added, USD 230 billion seems to be a likely figure. The social costs are difficult to estimate: no numbers can be put on human misery and suffering. The answer to the question of whether to engage or not to engage must therefore be obvious. The following section tackles the question of how to engage.

4.2 A policy agenda for better governance

As noted earlier, there are no simple answers. Approaching the matter from a governance perspective, policy prescriptions for difficult partnerships, failed states and post-conflict situations will differ. It is very obvious that there are no "one-size-fits-all" models for dealing with bad governance, difficult partnerships, failed states and post-conflict situations. Each situation must be carefully analysed on a country-specific basis, and policy prescriptions must be tailor-made. Among other things this involves a process of understanding the power relations that underpin the social, political and economic functioning of the society. In most instances a process of progressive consolidation of accountable, effective and democratic institutions is required, together with an open dialogue with non-state actors including economic and social partners. Institutional sustainability and capacity-building are core elements of a governance agenda. At the same time, there must be a healthy dose of realism, perseverance and lowered expectations. It is also necessary to search continuously for innovative responses to the challenges. A futher critical element involves adapting policy by taking lessons learned in the field into account. This section will discuss policy prescriptions separately for each of the three types of cases: difficult partnerships, failed states and post-conflict situations.

Difficult partnerships

The traditional instruments of aid, including project-based aid, sectoral programmes and budget support, are difficult to implement in bad governance contexts because lessons already learned seem to question aid effectiveness. As discussed earlier, the main reason for this is the lack of commitment to good governance. Alternative entry points must therefore be identified. These include:

- Supporting political initiatives at regional and international levels that aim at reforms.
- Supporting round-table discussions and initiatives that address the quality of political governance.
- Targeting civil society organisations that bring such issues as basic human rights onto the agenda of public debate.
- Private sector actors can play a constructive role, especially with respect to issues about employment, revenue mobilisation and provision of basic public services. In addition, with increasing globalisation and interdependence many private sector actors understand the need for an enabling environment as a prerequisite for sustainable foreign direct investment, and they may help pressure the ruling regime into making changes in its governance practices to facilitate this.
- Identifying "agents of change" within government structures, and supporting their reform initiatives when possible. There are often parliamentarians, judges, journalists and other professionals who stand up and denounce corrupt regimes, and their actions should be encouraged.
- Using well-targeted institutional capacity-building initiatives. In targeting strategically important government structures, such initiatives as anti-corruption commissions, human rights commissions, etc., may act as catalysts for change.
- The prospects for involving some élite groups may be enhanced by framing poverty reduction in terms of "public goods", such as greater security and less disease, from which elites will also benefit.
- Implementing and supporting projects and programmes aimed at meeting the basic needs of the most vulnerable groups, through the improvement of service delivery to the poor and the enhancement of civil society. Civil society should taken as meaning not only NGOs, but also faith-based groups, representatives of business life, workers' associations, and other groups that may act as conduits to bring reform agendas to the ruling regime.
- Education and female literacy are powerful medium-term change agents. It may be possible to carry out work in these fields even in an environment of bad governance.

This list of possible entry points is only indicative and donors need a healthy dose of realism because in most cases the incentive structures work against outside involvement. Most importantly, it is prudent to bear in mind that long-term change and movement towards more democratic governance structures comes from internal sociological factors, such as urbanisation, the rise of a professional middle-class, comprehensive quality education for all, changes in demographic structures (particularly decreases in birth rates), involvement of women outside the household economy, diversification of the economy and exposure to new modes of thinking. At best, outside involvement can act as a catalyst of change, but in order for change to be sustainable it must be home-grown. (See "Case Study: From semi-authoritarianism to democracy in Thailand" as an example of such processes.)

Case Study: From semi-authoritarianism to democracy in Thailand

The middle-income developing countries in Southeast Asia, particularly Malaysia and Thailand, are good examples of internal sociological factors contributing to democratic change. Thailand was a semi-authoritarian country in the 1970s and early 1980s, with the military in control of government and a governance environment that was not very conducive for development. The era was characterised by recurrent violent internal strife between the right-wing government and leftist opposition, during which time Thai society experienced political repression, human rights violations, rampant corruption and economic mismanagement. Towards the end of the 1980s, however, shifting regional geopolitics and demographic changes, coupled with a widening educational base and diversification of the economy from an agricultural base by the growth of the rapidly expanding service and industrial sector, all contributed to ushering in a new era of political openness. No doubt change agents within the government, civil society and private sector significantly helped to advance reform agendas and effect changes. At the same time, Thailand also received assistance from the international community to develop the economy and reform government structures.

Failed states

As noted earlier failed states represent the extreme end of the continuum of bad governance. Few aid instruments are available for use in the context of failed states because there is no central governance structure that can be engaged. However, it may well be the case that some local governance structures are in place to act as "islands of peace" even though the rest of the country is in a seemingly perpetual state of confusion and violence. Once a country becomes a failed state it is very difficult to break the vicious circles involved. Very few aid instruments are available, and even fewer are effective. The main priorities include:

- Humanitarian aid to vulnerable groups - provided that there is a reasonable degree of confidence that the aid will reach the intended recipients. It should be noted that some critics argue that humanitarian aid can sometimes fuel the conflict or even prolong it. "Operation Lifeline Sudan" has been cited as an example.
- Supporting confidence-building measures in the attempt to get the warring parties to agree on parameters for peace.
- Supporting local capacities and peace initiatives. At times there are islands of peace in which local governance structures manage to operate and deliver some basic services even though there is no central government in control. Supporting such local governance structures is very challenging, as issues concerning legitimacy and representation are problematic, but it can contribute to a process of stabilisation.
- Addressing war economies by providing alternatives to conflict profiteers, reducing profits from war economy through strict controls (as in the Kimberley Process) and encouraging international business to behave responsibly.
- Encouraging diasporas to act as conduits for peace rather than as sources of partisan political agendas.

Although failed states represent a particularly difficult challenge they should not be completely abandoned, as isolation plays into the hands of local war lords, possibly worsening the internal situation and furthering the eruption of violent conflict, which can in turn affect neighbouring countries or contribute to terrorism. With the rise of the "New Humanitarianism" advocated by former US President Bill Clinton and British Prime Minister Tony Blair, the international community has been willing since the late 1990s to extend its definition of what is acceptable with regard to levels of interference in the interest of preventing suffering. The Report of the International Commission on Intervention and State Sovereignty takes up the "right of humanitarian intervention": the question of when, if ever, it is appropriate for states for take coercive – and in particular military – action, against another state for the purpose of protecting people at risk in that state. The Report's central theme is the "responsibility to protect", the idea that sovereign states have a responsibility to protect their own citizens from avoidable catastrophe, and that when they are unwilling or unable to do so, that responsibility must be borne by the broader community of states. The prevention of dictators from oppressing their people, and of rebels from killing innocent people, is naturally ethically acceptable, but such interventions also open up a Pandora's Box of implications that have no easy answers. Nonetheless, it is very likely that the twenty-first century will see much more activity in this area.

Post-conflict situations

It has already been seen that countries emerging from conflict have governance structures that are fragile or non-existent. It is vital that a governance agenda be promoted right from the onset of the peace process, even though this may be extremely challenging in terms of achieving sustainable results: The main priorities include:

· Linking demobilisation, relief, rehabilitation and development
· Addressing state-building and governance issues
· Building up an accountable security sector and strengthening the rule of law
· Enhancing mechanisms for conflict resolution, particularly the parliamentary system
· Working with the emerging actors, both state and non-state, to address the root causes of the conflicts and encouraging the reconciliation process.
· Promoting a poverty-reducing, "pro-poor", governance agenda, and facilitating the political will to change.
· Encouraging the diversification of the economy

From the point of view of its citizens, an incumbent government in a post-conflict situation faces the challenge of implementing result-oriented policies. State institutions barely function, even if they exist, and they are seriously limited in their ability to deliver public services. The international community must assist in the state-building process, but it cannot remain too long in the driver's seat and capacity-building of local actors should begin right at the onset of the peace process. National reconciliation and democratisation are part of the framework for the country's rehabilitation and reconstruction, but they cannot proceed without significant inputs to ensure that the state institutions necessary for guiding and leading are also strengthened.

Economic governance is a key factor in determining the viability of the state-building exercise. The new government needs to normalise the macroeconomic environment, including budgetary and monetary policies and the normalisation of financial relations with creditors and international financial institutions. All public expenditure needs to be accounted for within the budget. Public finance management involves budget preparation and execution, the collection of information for allocating and controlling expenditures, monitoring of revenue collection, and the management and tracking of external assistance. Furthermore, monetary and exchange rate policy formulation involves the establishment of a monetary authority and the re-opening of the Central Bank, as well as the establishment of accounting mechanisms, payment systems and banking policy and supervision. All of this requires prudent policies coupled with sound technical assistance and expertise, which is often lacking in post-conflict situations.

Strong and sustained private investment is required to achieve a rapid rebound. Investment in turn needs stability and legal reforms to protect property rights. The state must also regulate the private sector in order to protect the public interest. As noted earlier, post-conflict situations attract unscrupulous actors whose main ambition is to maximise quick profits at the expense of the public interest. Corruption easily enters the scene in the form of shady deals, the misuse of public positions and conflicts of interest. Albeit extremely challenging, anti-corruption efforts and concepts of accountability, transparency and participation should be part and parcel of the state-building process. If a strong political will to reform and institutional strengthening exists, which means building up the judiciary and rule of law (including the police, customs and border control), then state auditing agencies and ombudsman's offices become key building blocks in the fight against corruption.

5. Conclusion

Governance refers to the rules, processes and behaviour by which interests are articulated, resources are managed, and power is exercised in society. The quality of governance has become widely accepted as one of the key factors in determining the course of development in any society. Bad governance is inherently linked to poor performance and failed states. It is also a considerable risk factor in post-conflict situations. There are no easy answers as to how to change the quality of governance. Lessons already learned show that true and sustainable reform can only come from within a country, and that outside assistance is at best a catalyst and facilitator. Focusing on governance implies working with governments and contributing to building up their capacities to effectively manage state affairs and protect the public interest. It also involves fostering civil society and encouraging participatory approaches to public policies.

Countries facing challenges of bad governance should not be left to their own devices, as this tends to further complicate and compound the problems at hand. It is often the case that dialogue is conducted with countries in order to address a specific crisis or problem, or in response to specific events, such as a looming humanitarian disaster or a security threat. Combining appropriate assistance with policy dialogue is more cost-effective than responding to a full-blown crisis at hand. The policy agenda for better governance, and the examples of interventions presented in section 4 above, together provide a menu-approach with key guiding principles that can be implemented on a country-specific basis.

To conclude, a healthy dose of realism is needed. It must be borne in mind that while development processes are already challenging enough in relatively good governance environments, they are even more so in bad governance environments.

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Useful internet sites:

http://www.acdi-cida.gc.ca/peace contains CIDA's *Peacebuilding Unit's Compendium of Operational Tools for Peacebuilding and Donor Coordination*

http://www.europa.eu.int/comm/external_relations/cpcm/cp.htm contains the European Union's website material on conflict prevention and civilian crisis management

http://www.oecd.org contains OECD/DAC's website material on conflict and peace

http://www.undp.org/oslocentre/conflprv.htm contains UNDP's policy papers on conflict prevention

http://www1.worldbank.org/operations/licus/ contains World Bank reports of the *Task Force on Low Income Countries Under Stress (LICUS)*

3. Terrorism, counter-terrorism and violence against civilians

Timo Kivimäki
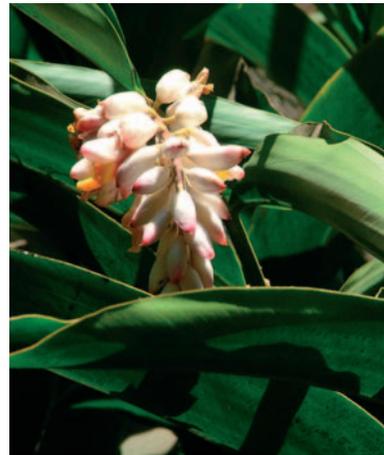
1. What is terrorism?

Terrorism can be seen as tactics or as a strategy of political influence. At the heart of this strategy is the idea of indirect targeting. Terrorists target innocent people in order to influence the morale of those they cannot hit directly. David Jenkins has defined this aspect of terrorism in the following manner: "The identities of the actual targets are often secondary or irrelevant to the terrorists' objective of spreading fear and alarm or gaining concessions. This separation between the actual victim of the violence and the target of the intended psychological effect was the hallmark of terrorism." [1]

At the same time, terrorism is communication. According to one of the September 11 perpetrators, Ahmed Al Haznawi, the strike was a 'bloodied message' to the world.[2] Terrorist actions send signals, constitute and implement threats, express grievances of groups, articulate group identities of the oppressed, and aim at proving associations between aggressions and counter-aggressions (for example, between the occupation of

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[1]   Michael Jenkins 1999, "Introduction", in Ian O. Lesser, Bruce Hoffman, John Arquilla, David F. Ronfeldt, Michele Zanini, Brian, Michael Jenkins 1999. *Countering New Terrorism*. Santa Monica, CA.: Rand Corporation, p.v.

[2]   http://encyclopedia.thefreedictionary.com/Ahmed%20Al%20Haznawi

Palestine and a suicide bombing in Israel). Terrorism does not aim at directly destroying what it opposes, but instead it hits the symbols of abstract enemies – such as a World Trade Center that symbolises global capitalism – and seeks influence by proving the vulnerability of these abstract enemies. "The September 11 attacks were not targeted at women and children. The real targets were America's icons of military and economic power."[3] The sad irony, though, is that regardless of symbolic intentions, it was still women and children and innocent civilians in general who died in the attack, while it could be argued that the expansion of "American military and economic power" only acquired a new justifying rationale in counter-terrorism.

Terrorism as communication explains the "trends" in global terrorism. In the 1970s, a bomb in a World Trade Center could not express the grievances of Muslims, but perhaps those of the "global proletarian class". Today the mainstream of international terrorism is aimed at articulating a view of the world as a struggle between Muslims and the "infidel forces" of "capitalist greed and Western militarism". The new al-Qaida targeting manual makes the idea of terrorism being a tool for the articulation of world views very explicit: "[t]argeting Jews and Christians is a proof that it is a religious struggle."[4]

While the struggle is a part of international communication, international communication is a part of the struggle. Definitions related to terrorism are not just definitions, they are political actions in this struggle.[5] Labelling somebody a terrorist has political consequences. This is especially so in the context of the "post-September 11" world when globally shared images of destruction and pain are associated with both concepts.[6] These associations become political reality when the universally perceived seriousness of the terrorist threat justifies extraordinary, sometimes violent

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[3]   Osama bin Laden in *Dawn*: The Internet Edition, November 10, 2001. The centrality of negative emotions might also explain the negative iconic structure of the ideology of al Qaida and its associates. Instead of defining utopias in positive terms, terrorist rhetoric is often much more specific about its opposition to something else. The enemy that is opposed is often so strong that terrorists sometimes target the icons of the opposing order, rather than the order itself.

[4]   'al Qaeda Targeting Guidance', v1.0,   March 29, 2004. Translated in an IntelCenter internet publication, at http://www.asisonline.org/newsroom/aq.pdf

[5]   For the approach of treating concepts as speech acts rather than mere innocent words, see John Searle, 1969. *Speech Acts*. Cambridge: Cambridge University Press; and John Searle 1995. *The Construction of Social Reality*. New York: Free Press.

[6]   For the discursive strategy of associating and dissociating symbols in political argumentation, see Enos, Theresa & Stuart C. Brown, eds. 1993. *Defining the New Rhetoric*. Newbury Park: Sage; Perelman, Chaim & L Olbrechts-Tyteca 1968. *The New Rhetoric: A Treatise on Argumentation*. Notre Dame, IN: University of Notre Dame Press; Riikka Kuusisto 1999. *Western Definitions of War in the Gulf and in Bosnia*. Saarijärvi: Gummerus.

or undemocratic actions for the restoration of security. That is, killing in the name of security or anti-terrorist warfare gets a different, more acceptable, framing.[7] This is why definitions in the prevention of terrorism become matters of life and death.

Due to the controversy and political nature of defining terrorism, the phenomenon does not have a commonly accepted definition. From the point of view of human security, its central defining factor is the fear and pain inflicted on innocent civilians. This is also reflected in most definitions of terrorism. In the United States and the European Union, terrorism is defined as premeditated activity that targets innocent civilians (in order to influence the terrorists' enemies). Its motivations are political or religious rather than criminal. However, what is problematic about the EU and US definitions from the point of view of human security is the stipulation that acts committed by states are by definition not terrorism.[8] The condemnation of terrorism stops short of rejecting state terrorism, and this has led to an unfortunate situation with regard to many authoritarian states, in which regimes fight their political enemies by labelling them as terrorists and use terror in the name of counter-terrorism.

Only the United Nations debate has defined terrorism in a slightly less partial way with regard to conflict situations between citizen groups and states. General Assembly resolution 51/210 touched on the question of definition of terrorism when it declared that "criminal acts intended or calculated to provoke a state of terror in the general public, a group of persons or particular persons for political purposes are in any circumstance unjustifiable, whatever the considerations of a political, philosophical, ideological, racial, ethnic, religious or other nature that may be invoked to justify them."[9] This definition also condemns a state that terrorises innocent civilians in an ethnic or religious group in order to punish its opponents in that ethnic or religious group.

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[7] The phenomenon whereby legitimacy is sought for actions by referring to the common condemnation of the threats they seek to prevent is called securitization. See Wæver, Ole 1999. "Securitizing Sectors? Reply to Eriksson", in *Cooperation and Conflict*, 34:3, 1999, pp 334-340; see also Christopher Ulrich & Timo Kivimäki 2002. *Uncertain Security: Confronting Transnational Crime in the Baltic Sea Region and Russia.* Lanham: Lexington, pp. 11-12.

[8] The European concept of terrorism is defined in a proposal on combating terrorism prepared by the EU Council of Ministers of Justice and Home Affairs in late 2001. Available at http://Europa.eu.int/comm/external_relations/csfp/doc/com_01_521.pdf. The exact wording of the EU definition is the following: "offences intentionally committed by an individual or a group against one or more countries, their institutions or people, with the aim of intimidating them and seriously altering or destroying the political, economic, or social structures of a country".

[9] GA Res. 51/210 Measures to eliminate international terrorism, 1999, see for example, UN Office of Drugs and Crime Webpage: http://www.unodc.org/unodc/terrorism_definitions.html.

The EU and US definitions of terrorism reflect an old way of thinking, which emphasised state security at the expense of human security. Yet the statistics of conflict and genocide from the twentieth century reveal that states, too, especially authoritarian ones, can be serious threats to their citizens. According to Rudolph Rummel and others[10], states killed more than four times as many people as wars did in the twentieth century. Thus the threat of terrorism should not be a justification for states to take harsh, indiscriminate measures against its citizens. This is why Nordic documents highlight the aspect of human security, democracy and human rights in their discussions of global security policy issues and counter-terrorism.[11] The promotion of human rights provides a necessary balance to counter-terrorism.

Along with different definitions of terrorism, the concept of "new terrorism" has been articulated. New terrorism refers to the different organisation and strategies of current terrorism, where groups are not coherent, but often based on cells and secret networks, as in the early communist movement. Instead of known leaders with whom it would be possible to negotiate, new terrorism expresses itself in more individualistic arrangements with less formal structures. Military professionalism and organisation for combat training are often considered to be significant characteristics of new terrorism.[12] Furthermore, easy access to weapons technology and know-how has also changed the patterns of terrorism. Finally, a new division of labour between political (e.g. parties related to terrorist groups), socio-economic (e.g. terrorist charities), and military functions and factions has become possible with the new, looser, organisation of terrorist groups. This too is now considered as a mark of the new terrorism.[13] The new professionalism in terrorism has highlighted the importance of international contacts and strategic alliances between different terrorist groups.

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[10] For books and databases proving this, see http://www.hawaii.edu/powerkills/

[11] See, for example, Principplan for dansk udviklingsbistand til kampen mod den ny terrorisme by the Danish Foreign Ministry at http://www.um.dk/NR/rdonlyres/AC641E7F-9381-4C7A-BD6B-A013828610F0/0/Principplanfordanskudviklingsbistand.pdf or Timo Kivimäki (ed.) ISLAM, TERRORISM AND NORTH-SOUTH INTERACTION. Report to the Finnish Foreign Ministry. August 2004; or Danida 2003. Development Cooperation as an Instrument in the Prevention of Terrorism. (Edited by Timo Kivimäki) Danish Ministry of Foreign Affairs, Copenhagen 2003 (Available at http://www.um.dk/NR/rdonlyres/99951FA2-467C-4D5E-865B-21BDA8E52264/0/development_cooperation_to_prevent_terrorism.pdf)

[12] These ideas are often attributed to Bruce Hoffman. A scholarly account of this can be found in Lesser, Ian O., Bruce Hoffman, John Arquilla, David F. Ronfeldt, Michele Zanini, Brian, Michael Jenkins 1999. *Countering New Terrorism*. Santa Monica, CA.: Rand Corporation.

[13] See Walter Laquer 1996. "Postmodern Terrorism", *Foreign Affairs* September-October, 1996.

2. Where does terrorism originate?

Terrorism operating on a "left wing versus right wing" platform used to be a European and is now a Latin American problem. At the same time, Islamic terrorism is an Asian (including the Middle East) and North African phenomenon.[14] The Islamic terrorism of Asia and North Africa and the terrorism related to left-right conflicts in Latin America are responsible for the greatest number of casualties of terrorism. European nationalist or separatist terrorist groups are numerous, but most of them tend to be listed as terrorists only by Europeans themselves, and their deadly potential has been much lower that that of Asian and Latin American groups. While the number of European terrorist organisations on the EU's list of terrorist organisations reflects European sensitivity about its own area, the number of incidents and casualties caused by left wing Latin American organisations that are recorded in US documents reflects the American sensitivity regarding their own interests. In the case of the FARC and the AUC, it seems that this sensitivity sometimes even "bends" the definitions of terrorism. The AUC and the FARC conduct a lot of acts of vandalism against US economic interests that are often counted by US sources as terrorist incidents. Most of the cases of FARC and AUC victims also involve criminal (drug-related) motives rather than ideological ones, and the victims calculated in US official records are also often combatants rather than civilians. It would seem reasonable to somewhat underemphasise the importance of Latin American "terrorist organisations and acts", as well as the number of European terrorist groups when assessing the importance of these two continents in global terrorism. Still, the geographical distribution of terrorist groups can be presented in the following chart:

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[14]   The Holy Land Foundation for Relief and Development is the only organisation outside this region, and both its non-Asian identity and its status as a terrorist group are disputed. The non-Asian identity is disputed because this US-based organisation is Palestinian and it focuses on Middle East issues and is accused of supporting the Middle Eastern Hamas. Neither the US nor the UN recognises its terrorist identity and only the EU lists it as a terrorist organisation. All other terrorist groups originate from greater Asia (including the Middle East) or North Africa.

**Chart 1: Regional distribution of the number of terrorist groups
listed by the EU, US or UN**
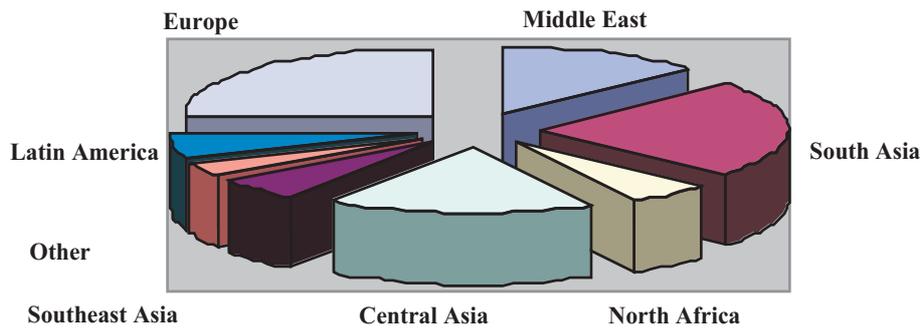
The extent of terrorist problems can be seen on the basis of indicators of the numbers of terrorist organisations (column 2 in the Table below) and individuals (columns 3 and 4) that particular countries host. To study the severity of the problem we need information on the numbers of casualties caused by terrorist organisations hosted by different countries (column 1).[15] While the indicators of the number of individuals identify areas where terrorist individuals originate, indicators of the number of groups hosted, and the number of casualties by those groups, identify the areas where terrorist organisation is extensive and the problem severe.

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[15] Since terrorism is collective behaviour, it is not possible to identify the casualties that each individual has caused.

Table 1. Ranking of countries on the basis of severity of the problem of Islamic terrorism

| Country	1. Ranking of number of casualties caused by groups hosted	2. Ranking of number of groups hosted	3. Ranking of number of individuals wanted by the FBI	4. Ranking of number of individuals wanted by the EU	Problem ranking
Afghanistan	1	1	5	5	1
Palestine	2	4	5	5	2
Colombia	3	4	5	5	3
Pakistan	4	4	5	4	3
Syria	5	4	5	5	5
Lebanon	7	7	3	3	6
Egypt	8	7	1	5	7
Peru	6	7	5	5	8
Algeria	9	7	5	1	9
Russia (Chechnya)	9	2	5	5	10
Iraq	10	3	5	5	11
Indonesia	4	10	5	5	12
Saudi Arabia	11	11	2	2	13
Kenya	11	11	4	5	14

Terrorist individuals tend to come from countries other than those in which they organise. The five countries with most organisations tend to be asymmetrical conflict countries and organisations mainly tend to be conflict parties. Common to the three main terrorist countries is the extensive number of refugees originating from the asymmetrical conflicts. Four of the countries with the greatest number and severity of terrorist organisations are weak or partly collapsed states. Criminalised economies seem to be common to the top four states hosting terrorist organisations. Terrorist individuals, on the other hand, seem to originate from much more authoritarian countries. By looking at the basic political and economic profiles of the main terrorist areas we can obtain a preliminary overview of the kind of areas that terrorism needs for individual motivation and collective mobilisation.

In the following graphs the popular sovereignty indicator shows how democratic the country is and how few authoritarian characteristics it has.[16]
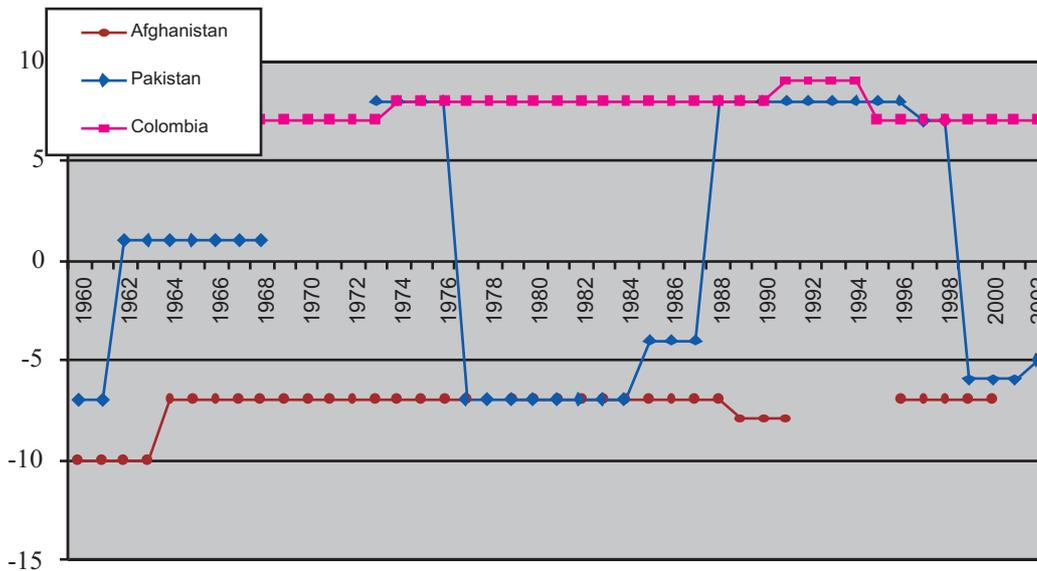
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[16] The data is from the most widely used dataset, the polity dataset, which has been adopted, for example, by the UNDP.

Graph 1: Popular sovereignty indicators of selected countries where terrorist individuals originate
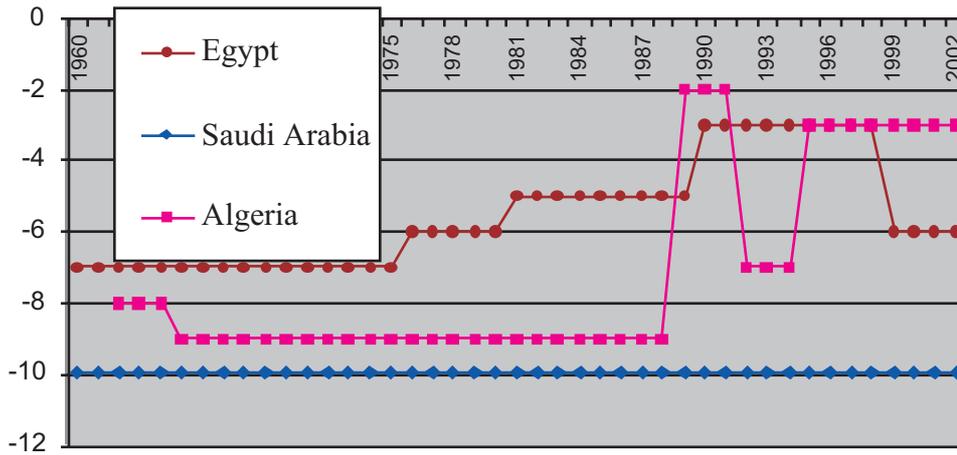
Graph 2: Popular sovereignty indicators of selected countries in which terrorism is organised

As can be seen in the above graphs, the three countries from which the greatest numbers of terrorist individuals originate are consistently more authoritarian than the countries with a problem with terrorist organisation. (The indicator for countries of origin of individuals barely reaches –2, while the average for countries where terrorism organises is slightly positive. Terrorist organisation seems to take place in more democratic countries, with big changes in the level of democracy indicating a weak state structure and frequent collapses of political regimes. The fact that Palestine and Chechnya cannot even be represented in graph 3 because of the lack of data (neither is an independent polity) further emphasises the chaotic nature of the polities in those territories where terrorism organises itself. A look at the development of the economies involved tells a similar story.

Graph 3: Per capita growth in areas of origin of terrorist individuals
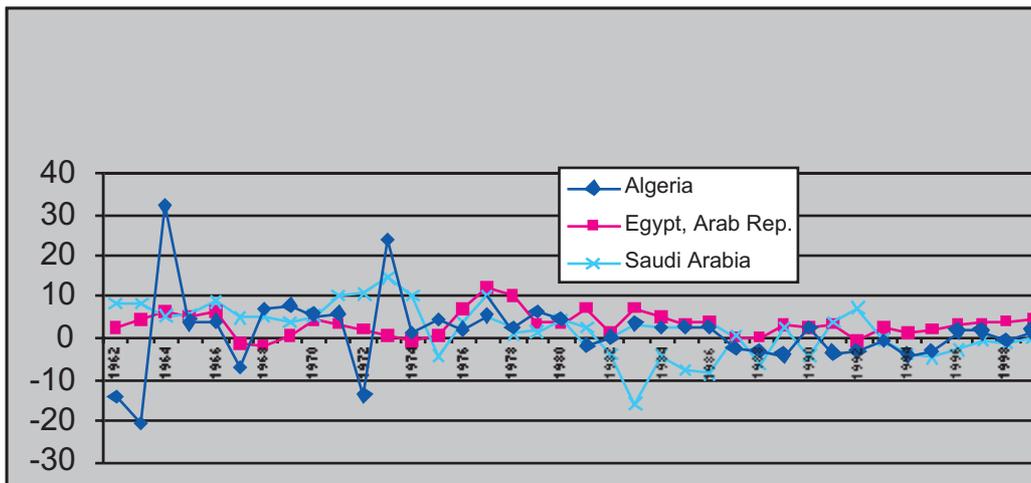
Graph 4: Per Capita Growth in Countries where Terrorism Organises
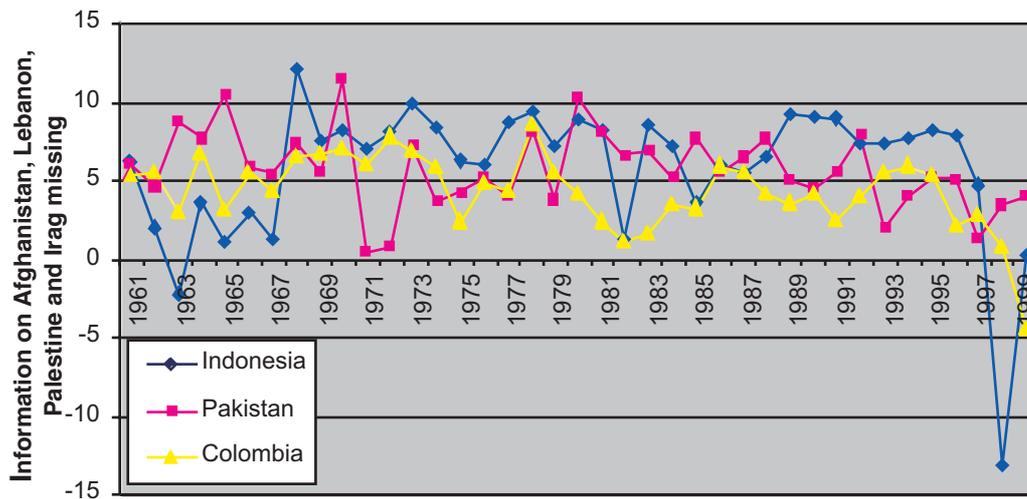
Once again, missing data testifies to the chaotic nature of states that have problems with terrorist organisation. The level of relative economic grievances also seems slightly higher in countries where individual terrorists originate than in countries where terrorists organise. All in all, it seems fair to conclude that individual motivations for terrorism seem to originate in areas with economic and, especially, political grievances. Terrorists typically, though not always, originate from countries where political freedoms are limited, and where the state apparatus uses harsh measures to control expressions of political or religious deviance. Areas where terrorism organises are characterised by opportunities offered by democracy, state weakness or sympathy amongst the elite towards terrorist organisations. Economic opportunities in host countries are often offered by the criminalised economies of these countries. The drugs trade accounts to a large extent for terrorist finances in some of the main areas of terrorism in Central Asia and Latin America, and also in stateless societies like Somalia.

In addition to the influence of national conditions, terrorism also arises because of international and transnational conditions. Transnational groups that have been marginalised by globalisation in its present form are challenging global forces by organising globally around different principles. In North Africa and Asia, this organisation has been primarily Islamic, in Europe it has been nationalist, while in Latin America it has followed the patterns of nationalist left-wing rebellion and right-wing vigilante resistance to it. The political and economic grievances of the Latin American rural peripheries and those of the transnational community of Islamic people

are real.[17] These transnational grievances have given rise to feelings of unfairness, and to extending a degree of tolerance towards groups and individuals that Western documents designate as terrorist. When people are asked about their trust in world leaders, for example, trust in Osama bin Laden remains very high among Muslims.[18]

Confidence in World Figures to Do the Right Thing

	First	Second	Third
Indonesia	Arafat (68%)	Abdallah (66%)	**bin Laden (58%)**
Jordan	Chirac (61%)	**bin Laden (55%)**	Abdallah (42%)
Kuwait	Abdallah (84%)	Bush (62%)	Blair (58%)
Lebanon	Chirac (81%)	Annan (38%)	Abdallah (35%)
Morocco	Chirac (65%)	**bin Laden (49%)**	Arafat (43%)
Nigeria	Annan (52%)	Blair (50%)	Bush (50%)
Pakistan	Abdallah (60%)	**bin Laden (45%)**	Arafat (42%)
Palest. Auth.	**bin Laden (71%)**	Arafat (69%)	Chirac (32%)
Turkey	Arafat (32%)	Abdallah (21%)	Annan (18%)

Percent saying they have "a lot" or "some" confidence in each leader's ability to do the right thing regarding world affairs. Three highest rated (of 8 world leaders) shown here.

In an environment of transnational grievances, tolerance of terrorism by transnational individuals – frustrated young men who are mainly well-off and educated – tends to create an illusion in their minds that terrorism would be a heroic path to follow.

In short, terrorism originates primarily in local grievances that remain unresolved due to lack of access to local or national political systems, and lead to individuals becoming frustrated. As a result, terrorist individuals tend to seek areas with better opportunities for organisation. In Latin America, opportunities for mobilisation are often found within the country, in areas that are outside the control of the government. These areas are often controlled by drug lords. Asian and North African Islamic terrorists

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[17] See a quantitative proof of this in Kivimäki & Laakso 2003, "Causes of Terrorism", pp. 85-97, in Kivimäki, ed., Development Cooperation as an Instrument in the Prevention of Terrorism. Danida, Copenhagen.

[18] PEW study in September 2003. This does not mean that Islamic people would support civilian targeting and terrorism. Osama bin Laden is not the same person for Southeast Asian Muslims as he is for Western people. He is seen first and foremost as a symbol of anti-Americanism, not of violence and terrorism. Still in March 2003, Indonesia's former chief of intelligence, for example, claimed that al-Qaida does not target civilians and that it was the United States who was behind the Bali attack. (Z.A. Maulani, former Indonesian intelligence chief. Interview based on a questionnaire by the author, interviewer Anak Agung Banyu Perwita, in March 2003.) Yet support for the actors that in the Western discourse are defined as terrorists is needed for the organisation of these actors, as can be seen below.

frequently find their opportunities for terrorist mobilisation outside their own countries, in countries with a relatively low degree of state repression, either in democracies or in weak states. In addition, organisational opportunities are also sometimes offered by countries with sympathetic governments. These areas are often places where people with different kind of local grievances meet, and organisation then frequently leads to collaboration between people with different grievances. This is where the lowest common denominator of transnational grievances is to be found. These common transnational grievances then raise Asian and North African terrorism to an international level. The typical story of the origins of terrorism can be seen in the cases of Saudi Arabia and Afghanistan, the former proving to be an area fertile in terrorist motivations and grievances, while the latter offers the opportunities that organisation requires.

Case Study: Saudi Arabia, a source of terrorist individuals

Saudi Arabia's contribution to global terrorism has mainly been in the form of sponsorship of schools preaching a violent, anti-Western Wahabbist or Salafist interpretation of Islam, and in exporting terrorist individuals to countries where they have opportunities to organise. As an extremely controlled and repressive state, Saudi Arabia is a stereotypical area where terrorist motivations breed, but never flourish. In addition to individual terrorist motivations, jihadist ideology and violent political Islam also have their roots there. The alliance in Arabia between a radical jihadist, Muhammad ibn Abd al-Wahhab (1703-1791), and Muhammad ibn Saud, a local tribal chief, represents an early form of the modern misuse of Islam for the purposes of political power.

Of the 26 non-European terrorists on the EU lists, four are of Saudi Arabian origin, and on the FBI list of the 22 most wanted terrorists, five are Saudis. Furthermore, Hani Hanjour and Khalid Almihdhar, two of the five hijackers of American Airlines flight 77 on September 11, 2001, were Saudi Arabians. It is believed that Hani Hanjour piloted the plane and crashed it into the Pentagon. A total of 15 Saudi's were among the 19 hijackers involved in the September 11 plot. More recently, Abu Hajir Abdul Aziz al-Moqrin, the leader of al-Qaida's operations in Saudi Arabia, is thought to have assumed a more regional role in al-Qaida operations and targeting. With the exception of Osama bin Laden, all the other Saudi's on the FBI & EU lists[19] have been indicted in the Eastern District of Virginia for the June 25 1996 bombing of the Khobar Towers, a military housing complex in Dhahran, Saudi Arabia, and very little is known about them. It is, however, clear that many of them were members of the Saudi elite, like Osama bin Laden, whose family owns the Saudi Bin Laden Group construction company, and who has personal assets estimated to be worth 250–300 million dollars.[20]

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[19] Abdelkarim Hussein Mohamed Al-Nasser, Ahmad Ibrahim Al-Mughassil, Ali Saed Bin Ali El-Hoorie, Ahmad Ibrahim Al-Mughassil, and Ibrahim Salih Mohammed Al-Yacoub are all on both the EU and the FBI lists of terrorist individuals.
[20] Different estimates of his fortune are presented in Gunaratna, Rohan 2002. Inside Al Qaeda. Hurst, London. p 19.

The extreme contradiction between a strict interpretation of Islam and the extravagant practices of the absolute authoritarian government of the Saudi ruling family, which do not exclude the prosecution of religious scholars, activists and groups, has often been mentioned as giving rise to some of the main motivational factors behind Saudi terrorism. The fact that the Saudi family rules territories where the two holiest Islamic sites are located is certainly related to the fact that opposition to the Saudi regime utilises religious argumentation.

Osama bin Laden's declaration of war against Americans describes these feelings very clearly. In fact, the personal history of Osama bin Laden reveals that a clash with the Saudi ruling family over the protection of these sites during the first Gulf War (1991) was a turning point in al-Qaida's activities. The abandoning of the loyal mujahidin in favour of the United States, was one of the main historical motivations for Osama bin Laden to turn against Saudi Arabia and the USA.[21] The al-Qaida targeting manual explicitly describes the Saudi Government as the primary actor while the United States is seen only as a facilitator. In this document, the Saudi Government was accused of "ignoring the divine sharia law; depriving people of their legitimate rights; allowing the Americans to occupy the land of the two holy places; imprisonment, unjustly, of the sincere scholars …"[22]

Osama bin Laden's grievances about the political elite could not be channelled in a political manner in a country as authoritarian as Saudi Arabia, making the terrorist channel of protest less unnatural. Similarly, his scope for activity in Saudi Arabia was limited by his immigrant background. Osama bin Laden, like many other terrorist individuals, had an immigrant background not only because he lived much of his life outside Saudi Arabia, in Yemen, the Sudan, Pakistan and Afghanistan but also because his father was from Yemen, and mother from Syria. Yet the bin Laden family cannot be seen as being politically deprived in Saudi Arabia: the Saudi bin Laden Group has been offered many political construction contracts, Osama bin Laden's brother has been offered a cabinet post in Saudi Arabia, and Osama bin Laden's anti-Soviet mission in Afghanistan was supported financially by the Saudi government, and strategically by the Saudi intelligence apparatus.

Case Study: Afghanistan, the prime origin of international terrorist organisation

Afghanistan has become the country that makes the world's largest contribution to terrorist organisation, and is a poor failed state with a 20-year history of economic decline. Afghanistan's traditional economy, with the pastoral herding of livestock, is already a difficult base on which to build a stable state.[23]

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[21] For this interpretation, see, for example, John L. Esposito 2002. Unholy War: Terror in the Name of Islam. Oxford University Press, New York, pp. 11-12; and Kepel, Gilles. 2002. Jihad. The Trail of Political Islam. I.B. Tauris Publishers. London, pp. 208ff.

[22] 'A Declaration of War against the Americans Occupying the Land of the Two Holy Places; A Message from Osama bin Mohammad bin Laden to his Muslim Brethren all over the World generally, and towards the Muslims of the Arabian Peninsula in Particular', August 1996, http://www.meij.or.jp/new/Osama%20bin%20Laden/jihad1.htm .

[23] For an analysis of the problems of nation-building in pastoral societies, see Timo Kivimäki 2001. Integrated Approach to Security in Northern Mali. Studies in a Nutshell, no 1. CTS, Helsinki & Copenhagen. & Timo Kivimäki 2001. Explaining Violence in Somalia. Studies in a Nutshell, no 4. CTS, Helsinki & Copenhagen.

Afghanistan's modern economy has been criminalised; the country was by far the largest global producer of opium poppies before the Taliban regime, and its opiate production was greatly boosted by the fall of the Taliban regime. Narcotics trafficking has for long been a major source of revenue for Afghanistan. Afghanistan is also a conflict country, with a history of asymmetric warfare against a technologically superior enemy, most recently against the Soviet Union. This conflict left the area with a large number of refugees. As is the case with other bases of terrorist organisation, in Afghanistan, too, local strife has been intertwined with international conflict. The Islamic guerrillas, including al-Qaida, were, according to Rohan Gunaratna, supported in their war against the Soviet occupation by the United States, the United Kingdom, Saudi Arabia, Pakistan, China and several other countries under a CIA umbrella of coordination.[24] These same guerrilla groups later turned to terrorism and became the most serious source of terrorist violence in the country, and in the world as a whole. After the Soviet Union's withdrawal from Afghanistan, Afghan radical Islam turned global, with an anti-Serbian and later anti-Western agenda. It has been argued that the jihad against the Soviet Union in Afghanistan created a class of global jihadists, whose reintegration into civilian life would have been of great service to the cause of preventing terrorism.[25]

In addition to being the origin of al-Qaida, Afghanistan has made another major contribution to global terrorism by offering a safe haven for the organisation and training of a large number of terrorist (as well as ordinary guerrilla) organisations. Already by 1989, the first leader of al-Qaida, Abdullah Azzam, had recruited between 16,000 and 20,000 mujahedin from 20 countries to Afghanistan.[26] Afghanistan became a base for at least two Egyptian terrorist organisations, *Gamaa al-Islamiyya (Islamic Group)* and the *Al-Jihad al-Islami*, which is also known as *Egyptian Islamic Jihad, al-Jihad,* and the *Islamic Jihad, Jihad Group.* The Pakistani groups *Laskar-e-Jhangvi & Harakat ul-Mujahidin* have also had important bases for their organisation and training in Afghanistan, as has the *Islamic Movement of Uzbekistan.*

3. What can development cooperation, diplomacy and global dialogue do to reduce terrorist violence?

3.1 Lack of a common platform as the main obstacle to cooperation

Due to the politically controversial nature of potential anti-terrorist activities, ownership of the objective of terrorism prevention in development cooperation seems to be difficult to achieve. The degree of commitment is limited by normative and factual differences between the Western donors and the recipients.

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[24] Rohan Gunaratna 2002. Inside al-Qaida. Hurst, London, p. 18.

[25] This is one of the central arguments in Gilles Kepel 2002. Jihad, The Trail of Political Islam. I.B. Tauris, London.

[26] Chris Suellentrop 2002. Abdullah Azzam, the Godfather of Jihad. MSN Slate, at http://slate.msn.com/id/2064385/ accessed in May 2004.

The first normative issue is related to prioritisation. The majority of people in Muslim countries and areas, such as Indonesia, Mali, Lebanon, Jordan and Palestine, do not see terrorism as a very big problem.[27] Terrorism, despite its unbounded potential for violence and serious indirect effects on development and human security, is not among the most serious problems of developing countries. International terrorism kills only 700 people annually, while famine kills over 6 million children annually. Many people in the developing world fear that counter-terrorism consumes resources needed for more important purposes. [28]

Another normative matter is related to the comparison between the moral justification for terrorist acts and for counter-terrorist violence. Some of the military measures against terrorist threats, most notably the wars against Afghanistan and Iraq, are often seen as anti-Islamic, and this has hampered the legitimacy of even non-military operations to prevent terrorism. The commander of the West Kalimantan police force complained about this in an interview with the author: "We naturally do our best, but what can you do when the political climate is like this … (i.e. anti-American)… when people see how Americans kill fellow Muslims?" [29]

The normative issue of the acceptability of violence in the name of counter-terrorism has also relativised the very issue of normative value of terrorist acts. For many people, especially in the Arabic world as well as in the FARC-controlled areas of Colombia, acts that the West classifies as terrorist are justified by the violence the West exercises against Muslims or peripheral people in Latin America. For example, only a minority of the people in the Ivory Coast, Mali, Nigeria, Bangladesh, Jordan, Lebanon, Pakistan and Palestine feel that acts of terrorism – suicide bombings and other forms of violence against civilian targets – are never justified.[30] Acceptance of these operations increased

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[27] However, at the same time, people in Bangladesh and Pakistan do. Pew Research Centre for People and the Press 2003. 2002 Global Attitudes Survey. Online at http://people-press.org/reports/display.php3?ReportID=165. The conclusion on Palestine is from Alan B. Krueger & Jitka Maleckova, National Bureau of Economic Research, (US) 2002. Education, Poverty, Political Violence and Terrorism: *Is There A Causal Connection?* Washington, DC: USGPO, which reveals that 66.7% of the population accept armed attacks against Israeli civilians inside Israel, while over 40% accept terrorism under some circumstances.

[28] For analysis on this problem, see Munir Akuani 2002. "Comment", *Strategic Studies* (Islamabad) XXII, Winter 2002, No. 4. p. 1-7.

[29] Iwan Pandjiwinata, Brig. Gen Police, Kapolda, interview by Timo Kivimäki in Pontianak, 2003-03-28, translator: Iwan Supardi. Conducted partly in Indonesian partly in English.

[30] Pew Research Centre for People and the Press 2003. 2002 Global Attitudes Survey. Online at http://people-press.org/reports/display.php3?ReportID=165. There were only six countries in the survey, where the majority actually did feel that terrorism is always unacceptable. The conclusion on Palestine is from Alan B. Krueger & Jitka Maleckova, National Bureau of Economic Research, (US) 2002.

further during the war in Iraq.[31] Support for Osama bin Laden has grown during the escalation of the military phase of the war on terror.[32] In some cases even public statements by politicians illustrate the differences in moral judgements related to terrorism. The first comment of Indonesia's vice-president Hamzah Haz regarding the September 11 attack was the wish that it "would hopefully cleanse the USA of its sins."[33] Inability to condemn terrorism, because of the context of terrorist and counter-terrorist violence, also affects the feeling of ownership among officials and their ability to tackle the problem. [34] Normative dialogue about the prioritisation of counter-terrorism, and about counter-terrorism itself, has to precede the effective creation of a common global platform for counter-terrorist cooperation.

The problem of lack of a common platform for fighting terrorism in the interests of human security is also complicated by differences in the perceptions and concepts of global counter-terrorism. Most people condemn acts of violence against innocent civilians when these acts are taken in isolation. But the fight against terrorism has widely been seen as something more than simply an effort to prevent the targeting of innocent civilians. Even the West lacks a perceptional platform regarding this issue. In all European countries, as well as in the Muslim world, more people supported than opposed the views that the US motive for the war on terror is to dominate the world, control Middle Eastern oil, and target Muslim governments and groups that it sees as unfriendly.[35] According to a recent "Eurobarometer", a 52.7% majority of Europeans (a majority of all but Italians and Germans) saw the United States as a threat to peace in the world, and a 58.5% majority of Europeans would like Europe to distance its efforts from those of the United States.[36]

Not only are the broad questions regarding the war on terror contested, but so are the concrete core facts concerning terrorism. In Palestine, a poll in December 2001

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[31] Question 13, The Pew Research Center 2004. A Year After the Iraq War. available with all the statistics at http://people-press.org/reports/.

[32] Ibid. According to this source more people saw OBL in a favourable light than in an unfavourable light in all Middle Eastern countries and in Pakistan. Another PEW survey, from 2003, reveals the same sentiments in Indonesia. Turkish opinion climate was however, despite its anti-Americanism, also anti-OBL.

[33] *Pikiran Rakyat*, 17.9. 2001.

[34] Sometimes police and military officials explicitly reject counter-terrorism as anti-Islamic and demonstrate their support for people and ideologies that the West often associates with terrorism. The author of this chapter has witnessed an officer of the Kopassus (a special forces unit responsible for much of the Indonesian army efforts to counter terrorism) changing from his military outfit to his gym outfit - which included an Osama bin Laden T-shirt.

[35] PEW March 2004, questions 12 a,b & d.

[36] Eurobarometer EB 151, October 2003, Questions 10k &11.

showed that even after Osama bin Laden had publicly taken "credit" for the September 11 attack, only 26% of the people believed in his role in the attack against the twin towers. Many countries, including Indonesia, the country with the greatest number of Muslims in the world, officially opposed this interpretation.[37] When Indonesia's former head of national intelligence was interviewed it turned out that he, too, refuted the allegation of Al-Qaida's involvement in terrorism.[38]

A common platform against terrorism will therefore also require increased openness about the war on terror. In the absence of ways to verify the facts about the war independently and reliably, it will not be realistic to assume enthusiastic support for it.

Lack of commitment by the potential beneficiaries' can also result in even more serious problems. While the main general problem with anti-terrorism cooperation might be the abuse of terrorist suppression through the illegitimate crushing of political opposition, development cooperation is more vulnerable to the abuse of funds. According to a report by the International Crisis Group and some Israeli experts on terrorism, there is the possibility of recipients voluntarily or involuntarily allowing aid to be used to actually support terrorism. There seems to be wide-ranging agreement among Israeli experts on terrorism that some European aid to Palestine has ended up supporting terrorists.[39]

3.2 Cooperation to address grievances and opportunities

Cooperation to remove terrorism as an obstacle to human security can be integrated, at no extra cost, into many kinds of diplomatic and development cooperation activities. The starting point could be the realisation that there are frustrated transnational groups who consider themselves to be losers in the current form of globalisation. Addressing this issue would be justified even if it were not among the important causes of the internationalisation of terrorism.

It is clear that one of these transnational groups is the transnational community of Muslims. Starting from the international level of relative poverty, the issues of the related grievances of Islamic communities should be addressed. For historical reasons, Western aid does not currently target Muslims as much as people from other religious communities with similar grievances. A reorientation of Western aid towards deprived Islamic populations would help dispel the widespread suspicion among Muslims about the West. Countries like Indonesia, Bangladesh and Pakistan, and regions like Central Asia, should

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[37] See Vice-President Hamzah Haz in Pikiran Rakyat, 17.9. 2001.

[38] Interview of Z.A. Maulani, by Anak Agung Banyu Perwita, 20.2. 2003.

[39] Interviews by Sonja Lende, Jerusalem & Tel Aviv, February 2003.

be given higher priority. Furthermore Muslim communities in non-Muslim countries (such as the Philippines and Kenya, for example) should also receive sufficient attention.

Addressing the international economic grievances of Latin American farmers and Muslims would create opportunities for a constructive cultural, political and diplomatic dialogue, which would make it difficult for terrorists to appeal to their "constituencies" by dehumanising their civilian targets. Dialogue would also help to eradicate the indulgence of terrorism that is common in the terrorist safe havens of Latin America and in the Muslim world.

Dialogue could also reduce the popular appeal of linking international Islamic grievances with desperate acts of civilian targeting. Diplomatic means could be used to encourage Islamic leaders to explicitly tackle the misperceptions of majorities of Muslims in many areas linking Islamic grievances and terrorism: terrorism has only weakened the position of poor Muslims and should therefore not be seen as a legitimate or automatic reaction to grievances. Countries with terrorist safe havens could be given help in developing national educational curricula to tackle the problem. The fact that there are certain schools (Ngruki, in Central Java, Indonesia, and Haqqania in Pesawar, Pakistan, for example) that are known to preach the legitimacy of terrorism by appealing to Muslim grievances, and provide the educational background of a high percentage of the world's terrorists, should be addressed in a dialogue between Pakistan, Indonesia and Western donors. While Europe should help to make sure the economic grievances of Muslims are addressed, Muslim leaders could be expected to campaign against the rhetorical link between these grievances and the legitimacy of terrorism.

The fact that terrorist recruitment successfully exploits individual feelings of humiliation and political grievances sets special requirements for the ways in which development cooperation and development partnership should operate, not only in specific projects but in all kinds of development cooperation. Counter-terrorist cooperation should try to avoid exemplifying the perceived problems of the international system that give rise to support for terrorists. Anti-terrorist development cooperation should not involve forceful economic pressure to comply, and it should particularly not involve coercion by the powerful states. The platform for addressing the root causes of anti-terrorism cooperation should be created in complete adherence to international law and to the supremacy of legitimate international organisations such as the United Nations. A common EU policy to fight terrorism by using aid as an instrument should be based on principles derived from the UN system, such as the generally accepted UN Security Council resolution 1373. Support for UN coordination in counter-terrorism would also be in the interests of equal partnership and efficiency of counter-terrorism. The aim of preventing terrorism places a special emphasis on the principle of equal partnership between donors and recipients to avoid building up the all-too-common impression of aid as an instrument of power politics.

With regard to blocking terrorist opportunities, it would be helpful to create measures to stop aid and charity funds from leaking into terrorist activities. In order to help prevent aid and charity work benefiting terrorist charities, aid should involve certain precautionary measures. By working with Arab donor organisations, and also taking political and diplomatic measures, Finnish, Western and European development cooperation can try to establish the coordination required to prevent aid and charity contributions from being diverted to terrorist recruitment efforts. Donors should spurn charities that act as fronts for terrorist organisations. At the same time, it would be very important that counter-terrorist measures were not used to deny aid to people in need. In cases of aid being reduced due to the closing of terrorist charities, it would be necessary that legitimate donors compensate needy recipients for the loss of aid that occurs.

While blocking terrorists' opportunities is clearly an important task in the international effort to reduce the terrorist threat to human security, it is also important to remember that counter-terrorism can be as violent as terrorism if it is not coupled with a softer "Nordic" approach to security. Despite the need for military and police means in counter-terrorism, respect for human rights is the key to a human-security approach to containing terrorism. Given the fact that terrorism kills "only" 700 people annually, while state repression killed 1.7 million people in an average year of the twentieth century, closing one's eyes to authoritarian measures when blocking terrorist opportunities would be a case of throwing the baby out with the bath water.

Annex: Terrorist organisations as listed by the UN, US or EU

Central Asia:
Al-Qaida (I)
East Turkestan Islamic Movement (I)
Harakat ul-Mujahidin (I)
Islamic International Brigade/ International
*   Islamic Peace Brigade (I)*
Islamic Movement of Uzbekistan (I)
Mujahedin-e Khalq Organisation (I)
Special Purpose Islamic Regiment(I)
Riyadus-Salikhin Reconnaissance and Sabotage
*   Battalion of Chechen Martyrs (I)*
Al-Jihad al-Islami (I)

Middle East:
Abu Nidal (N)
Ansar al Islam (I)
Asbat al-Ansar (I)
Great Islamic Eastern Warriors Front/Vasat (I)
Hamas (I)
Hizbollah (I)
Islamic Army of Aden (I)
Kahane Chai and Kach (N)
Palestinian Islamic Jihad (I)
Palestine Liberation Front (I)
PKK (L)
Popular Front for the Liberation of Palestine,
*   PFLP (L)*

North Africa:
Al-Takfir and Al-Hijra (I)
Armed Islamic Group, GIA (I)
Gamaa al-Islamiyya (I)
Libyan Islamic Fighting Group (I)
Moroccan Islamic Fighting Group (I)
Salafist Group for Call and Combat (I)
Tunisian Combatant Group (I)

South Asia:
Babbar Khalsa(N)
Jaish-e-Mohammad (I)
Laskar-e-Jhangvi (I)
Lashkar-e Tayyiba (I)
Liberation Tigers of Tamil Eelam, LTTE (N)
Southeast Asia:
Abu Sayyaf Group(I)
Jemaah Islamiya organisation (I)
New Peoples Army (L)

Latin America:
Revolutionary Armed Forces of Colombia, FARC
*   (L)*
Sendero Luminoso, Shining Path (L)
United Self-Defence Forces of Colombia, AUC (L)

Europe
CIRA, Continuity Irish Republican Army (N)
Stichting al Aqsa (I)
ETA (N)
G.R.A.P.O (N)
Loyalist Volunteer Force (N)
Orange Volunteers (N)
Real IRA (N)
Red Hand Defenders (N)
Revolutionary Nuclei/Epanastatiki Pirines (L)
Revolutionary Organisation 17 November(L)
Revolutionary People's Liberation Army/Devrimci
*   Sol, Turkey (L)*
Revolutionary Popular Struggle/Epanastatikos
*   Laikos Agonas (L)*
Ulster Defence Association (N)

Other:
Holy Land Foundation for Relief and
*   Development,* USA (I)
Aum Srinrikyo, Japan

Explanations:
(I)=Islam plays some role in the mobilisation of the group,
(N)=The group's declared goals are related to rights for a nation and/or for territory,
(L)=A left wing versus right wing distinction motivates the group.

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4. Foreign Direct Investment: Road to riches or a burden on national development?

Tuukka Castrén

1. Introduction

Development needs financing. The international consensus reached at the Monterrey International Conference on Financing for Development in 2002 recognised the diversity of sources of finance for developing countries. The conference aimed to find ways of identifying means for the international community to make the commitments of the Millennium Summit a reality. It was generally accepted that development cannot be financed by official sources alone, and that the private sector and private investors also have a role. Moreover, that role cannot be only a supplementary one: it is a key to development financing. However the development impacts of different financing sources are not always the same.

Private capital flows have become an increasingly important factor in developing countries' economies and resource mobilisation. They are by far the most important source of financing for developing countries. After the first debt crisis, private flows – particularly bank lending and suppliers' credit – slumped in the late 1980s and early 1990s. At that time official development assistance (ODA) was more significant than private flows. The recovery of bank lending took place simultaneously with an increase in foreign direct investment (FDI) and equity investment in the early 1990s. Since industrial countries maintained their aid levels at the same or declining levels throughout the decade, this has led to the dominance of private flows in the structure of international financing flows to developing countries, as can be clearly seen in Table 1:

Table 1: Net Private Capital Flows and ODA to Developing Countries, million USD, 1980–2001

	1980	1990	2000	2001
		– million USD –		
Private capital flows, net*	41 441	38 013	190 154	145 985
Official development assistance	32 511	56 074	47 820	49 532
Private flows of ODA	127%	68%	398%	295%

*Net private capital flows include flows of FDI, portfolio equity investment flows, bank lending, bonds, and trade-related lending from private creditors, less repayments on outstanding debt.
Source: http://globstat.unctad.org/html/index.html

More detailed analysis of private capital flows, and foreign direct investment in particular, demonstrates some of the problems related to private flows. These investments are not guided by development needs in the developing countries but, since they are private, by market opportunities and anticipated returns. The comparison between China and the least developed countries (LDCs) in Table 2 is a clear demonstration of this. In the early 2000s, China was able to attract as much as 14 times more FDI than the LDCs, and several times more than the whole of Africa was able to attract. The flows can also be unstable: the overall flows to developing countries declined by more than 30% from 2000 to 2002, and at regional level the decline was even deeper in some areas. For example, Africa recorded a 40% decline in just one year, from 2001 to 2002. While it appears that, for example, Africa has received very little FDI in absolute terms, it is important to make proper comparisons. Mistry and Olesen (2003) point out that Africa has in fact fared rather well in attracting FDI relative to the size of the African economies. The sub-Saharan African countries' gross domestic income was approximately 4.5% of the world total in the 1990s while their share of global FDI flows was close to that, at 4.2%.

Table 2: Inflows of Foreign Direct Investments, million USD, 1970–2002

	1970	1980	1990	2000	2001	2002
			– million USD –			
World	12 938	54 957	208 674	1 392 957	823 825	651 188
Developing countries	3 461	8 392	36 959	246 057	209 431	162 145
<u>Africa</u>	<u>928</u>	<u>392</u>	<u>2 430</u>	<u>8 489</u>	<u>18 769</u>	<u>10 998</u>
North Africa	403	152	1 157	3 125	5 474	3 546
Sub-Saharan Africa	525	239	1 272	5 364	13 295	7 452
Sub-Saharan Africa less South Africa	190	259	1 351	4 476	6 506	6 698
<u>America</u>	<u>1 586</u>	<u>7 485</u>	<u>9 701</u>	<u>95 358</u>	<u>83 725</u>	<u>56 019</u>
Central America and the Caribbean	1 063	3 854	4 826	38 110	44 032	30 183
South America	522	3 631	4 874	57 248	39 693	25 836
<u>Asia</u>	<u>811</u>	<u>396</u>	<u>24 264</u>	<u>142 091</u>	<u>106 778</u>	<u>94 989</u>
West Asia	168	-3 162	2 141	1 523	5 211	2 341
Central Asia	..	..	4	1 871	3 963	4 035
South, East and South-East Asia	644	3 558	22 120	138 698	97 604	88 613
South, East and South-East Asia less China	..	3 501	18 633	97 926	50 758	35 913
<u>Oceania</u>	<u>136</u>	<u>119</u>	<u>564</u>	<u>118</u>	<u>159</u>	<u>140</u>
<u>Countries in Central and Eastern Europe</u>	<u>..</u>	<u>35</u>	<u>640</u>	<u>26 373</u>	<u>25 015</u>	<u>28 709</u>
Developed countries	9 477	46 530	171 076	1 120 528	589 379	460 334
<u>*Memorandum*</u>						
Developing countries less China	..	8 335	33 472	205 285	162 585	109 445
Least developed countries	-153	494	331	3 175	5 368	5 027

Source: http://globstat.unctad.org/html/index.html

As will be seen in this essay, FDI comes in many sizes and shapes. It has also become a highly controversial topic, and questions have been raised as to whether the increased dominance of private capital flows will have a counterproductive impact on national development. Another concern is that the world will become more polarised, both between countries and within countries. The danger of marginalised groups being permanently left behind is seen a destabilising factor in poor countries. It also needs to be recognised that FDI, as a development issue, can be approached from a number of different angles. First, it is a resource allocation issue. This deals with the overall volume of financing available to developing countries and who gets it. Secondly, there are the

questions of equity: Does FDI lead to permanent structures where rents from host countries are diverted to investors' home countries in the developed world? A third angle of approach is that of this article: What are the linkages between FDI and the public's participation in development? Does FDI, while bringing financial benefits to the ruling elite, also drain national resources and handicap the general public's possibilities to be participants in development?

Analysis must be country-specific, and lessons learnt in one country cannot be replicated in another. So rather than trying to approach the national political economics of FDI, this article will consider some stylised cases in order to clarify the challenges posed to the international development community. Finding solutions to these challenges will help to ensure that FDI constitutes a positive contribution to national development and global economic integration.

2. Foreign Direct Investment

2.1 Economic growth and technological spillover

The production capacity available in a country is one of the factors determining the country's economic potential and growth performance. Private investments in production capacity are at the very heart of economic growth. Increasing the production capacity of a country is the main driver of income and employment generation. The quest for profits drives the entrepreneur to take risks and invest in tapping new and potentially lucrative market opportunities. Evidence from around the globe clearly demonstrates that in order to reduce poverty and increase people's economic well-being there needs to be economic growth. Populations grow, and new entrants come into the labour force annually. At the same time, technological and organisational innovations increase productivity in the production of goods and services. Thus, just to maintain the level of employment, countries need to have economic growth equal to the increase in labour force and productivity. Even higher rates are required if increased employment is an aim.

Investments, and consequently economic growth, can be constrained by a number of factors. Lack of market opportunities and viable business opportunities is an obvious limiting factor, as are high factor costs. These may be caused by natural factors but also by the disincentives arising from government regulations and policies. A favourable investment climate requires adequate infrastructure, a well-educated workforce, and a stable political, economic and social environment. All this clearly demonstrates that a climate conducive to investment is not achieved just by reducing public sector's share in the economy. Appropriate state action is also required, and a clarification of the role

of the various stakeholders. The question is not only "*How much government?*" but also "*What kind of government?*"

Economic theory says that investments need to equal savings, i.e. income that is not consumed is saved and transferred, either directly or through financial intermediaries and capital markets, to investments. Thus, the more an economy saves, the more it can invest and the more it grows. This applies to a country with a closed economy that has no transactions with the outside world. In reality, the situation is different. Investors seek business opportunities globally and, with fewer restrictions on capital movement, are able to transfer their financing from one country to another. Despite the global movement of capital, domestic saving rates still matter, and high domestic savings generally correlate with high domestic investments. This has been the case, for example, in the fast-growing Asian economies. In many developing countries, savings rates and potential for domestic financing of investment have been low. Moreover, in poor countries even high relative investment rates attract little investment in absolute terms.

While much of the discourse on investments, savings levels and factors contributing to growth applies to all sources of investment (domestic, foreign and portfolio) there are certain characteristics that can be attributed specifically to foreign direct investments. Opening the domestic investment field to foreign investors increases the interaction between domestic and foreign enterprises, and this provides benefits to domestic firms as an aggregate. In the first place, FDI introduces new technologies and managerial skills, and trains domestic workers who may later on be employed by other firms, or who can start their own businesses. Easterly (2002) describes how the garment industry in Bangladesh grew immensely through technological spillover from FDI.

In addition to domestic firms "learning" from their foreign peers, the host country benefits through increased competition in the market. While adjustment may be difficult for some existing firms in the short run, at aggregate level more efficient resource allocation increases productivity at national level. Furthermore, increased competition in the consumer goods market brings down costs for domestic consumers.

2.2   Critique

While international development professionals in national governments and multilateral and bilateral development agencies have almost reached a consensus on the positive and growth-inducing impact of FDI, criticism from civil society has persisted. It can be said to have reached a peak during the campaign against the proposed OECD MAI (Multilateral Agreement on Investments) system that would have facilitated overseas investments in developing countries and made it harder for countries to set more stringent rules for inward investments from abroad than for investments by their own nationals. Civil society criticism was based on the view that such multilateral agreements

would undermine national sovereignty and make the – often small and fragile – developing countries subject to predatory behaviour by transnational corporations.

Claims have been made that FDI in manufacturing industry may actually lead to an increase in the current account imbalance: if product X contains much imported content when locally produced, the domestic value added is small. In a country with a high tariff barrier for imported X but a low barrier for intermediate goods, the drain of resources abroad is increased compared with the pre-investment situation. The existence of such a dilemma depends largely on the existing tariff structure and other trade policies. The possibility of such an adverse impact needs to be recognised. However, foreign trade economists have clearly demonstrated the costs of excessive tariff barriers and the improved efficiency of liberalised trade regimes. Policy outcomes are never the product of a single measure, but result from a combination of various instruments and policy decisions. One may therefore argue that if FDI has an adverse effect on a country's current account, it may be a result of a misguided operating environment (in this case a national trade regime) rather than the foreign investment itself.

Similarly, criticism has called attention to the fact that foreign competition, by being more efficient or competitive, crowds-out domestic producers leading to unemployment and other under-utilisation of national resources. One may again ask whether this is a loss from the macro perspective. While almost every entrepreneur would like to get rid of competitors (unless they are valued purely as a symbol of functioning markets), competition also leads to a more efficient allocation and use of resources. Limiting access to foreign competition is not only a loss to foreign investors, but also a transfer within a country from consumers and taxpayers to local firms.

> *Foreign Direct Investments vs. Portfolio Investments*
>
> When discussing foreign investments one needs to make a clear distinction between two different types of investment flows from abroad. *Foreign direct investment* is a transaction in which an investor from one country makes a greenfield investment, or buys an existing firm, in another country. In such a case, the investor has a long planning horizon and can be presumed to have an intention to become established in the country more or less permanently. According to UNCTAD, "Foreign direct investment (FDI) is investment involving a long-term relationship and lasting interest in and control by a resident entity in one economy in an enterprise resident in another economy. In FDI, the investor exerts significant influence on the management of the enterprise resident in the other economy. The ownership level required in order for a direct investment to exist is 10% of the voting shares. Such investment involves both the initial transaction between the two entities and all subsequent transactions between them and among foreign affiliates, both incorporated and unincorporated. FDI may be undertaken by individuals or by business entities."[1]
> *Portfolio investments*, on the other hand, are made in national stocks or bond markets and are much more volatile and flexible than FDI. These investments are often thought to be a cause of instability in fragile economies. Particularly after the various international crises in the latter half of 1990s and early 2000s (e.g. in South-East Asia, Russia and Argentina) there is growing perception that flows in portfolio investment, and particularly in short-term bond markets, need to be made more stable.
> Whatever merits or drawbacks portfolio investment may have, it needs to be addressed and analysed separately from FDI.

3. Risk factors in FDI

3.1 The corporate sector, natural resources and "state capture" in extractive industries

Section 2.1 above discusses the relationship between economic growth and FDI inflows. Most national governments have increasingly understood the role and feasibility of stable macro policies and efficient governance in attracting investment and creating an enabling environment for business. Countries that have not been creating such conducive business environments, have been ignored when investment decisions have been made. This applies particularly to manufacturing industries that have a certain

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[1] http://globstat.unctad.org/html/index.html

amount of flexibility when making their investment decisions. The situation is different for resource-based industries that are bound by the random allocation of natural resources.

The relationships between transnational corporations (TNCs), national governments and natural resources have become of increasing interest among developing country governments and, particularly, some non-governmental organisations (NGOs). Revenue from natural resources is crucial for countries' fiscal balances, and donors are not willing to continue financing in developing countries that do not use these revenues to finance national development goals. Natural resource management, having been an environmental issue for a long period, has also become a human rights and governance issue. Particularly if resources are found in areas inhabited by ethnic minorities, divisions within countries can become grave.

Active international debate on corporations and natural resources has been aroused by some staggering cases in which natural resource mismanagement in a post-conflict society has clearly led to delayed recovery and excessive rent-seeking by the ruling elite. The mismanagement of the forest sector in Cambodia and the oil revenues in Angola have been named as primary examples of cases where revenues from the nation's natural resources have not benefited the people. An additional case is that of Equatorial Guinea. Unlike the two other countries it is not a post-conflict country, but the dynamics of resource-based state capture are evident in Equatorial Guinea as well.

Case Study: Logging in Cambodia[2]

The Cambodian forests provide a wide range of biodiversity and other environmental benefits and could be a stable source of wood and non-timber products for the local population. They also have a vast commercial potential that could provide much needed employment and revenue for Cambodia, a country that was in almost continuous conflict from the 1960s until the early 1990s. But the forestry sector has not been able to contribute its full potential to national development. It is considered a mismanaged sector, to such a degree that the World Bank has sometimes temporarily withheld its support to the Cambodian government because of defects in the implementation of forest policy and legislation. The main problem has been the arbitrary allocation of forest concessions to foreign or joint-venture companies, allowing illegal forest exploitation to take place and providing "shadow budgets" for military establishments

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[2] The case studies presented are mainly based on the findings of Global Witness, a UK-based NGO following natural resource management in developing countries. Collecting information is difficult and much of the analysis below is based on a limited number of often cross-referenced sources. However, the accuracy of Global Witness reporting has been widely recognised and, for example, the World Bank "was strong and vocal in our support, publicly and privately, for the previous [independent forest sector] monitor [in Cambodia], Global Witness". World Bank (2003)

by allocating them forest utilisation rights. Forest crime is facilitated by authorities ignoring unauthorised activities. The unauthorised export of forest products has even been actively promoted in negotiations held by high-ranking Cambodian officials directly with their counterparts in neighbouring countries.

Forest legislation was also designed in a manner that allowed illegally cut timber in concession areas to be easily legalised. For example, rather than confiscating illegally cut logs found in the forest and handing them over to the State, the concession holders who had effective control over the area were allowed to sell the wood. With no official control over the tree-cutters, many concession-holders relied for their wood supply on logs that were "found" rather than on sustainable logging based on proper forest management plans. There have also been other logging operations that were totally uncontrolled and illegal. As a result, it has been estimated that some 95% of log volumes in 1997-98 were illegal. It was also estimated at the time that if the same pace continued the commercial forestry potential of once forest-rich Cambodia would be exhausted in only five years.

The mismanagement of fiscal revenue, combined with rampant corruption, unprecedented environmental degradation and the vulnerable position of forest-dependent communities led to increased international attention being paid to the Cambodian forest sector and its use in financing national development. International pressure has resulted in some improvement in the situation, but there are still serious concerns about the level of management in the concession system. The gravity of these concerns is a matter of constant controversy between the Cambodian government, international financiers headed by the World Bank, and the NGO community.

The history of rampant mismanagement can be attributed to a number of factors: collusion between national forest officials and foreign companies, the legacy of a lack of rule of law, the financing of internal conflicts by extracting natural resources, interference from, and loyalties to, vested interests in neighbouring countries, and the allocation of resources within the public administration. The last-mentioned factor is interesting and to some extent specific to the forest sector. The Cambodian military were allocated forest concessions rather than budget funds to finance their operations, and the situation began to resemble a system of feudal landlords with limited, if any, interference from the central government. The same system was also in operation in Laos, where military-owned "rural development companies" were allocated most of the commercially valuable forest. However, the situation in Laos did not grow as seriously out of hand as it did in Cambodia.

All this lack of transparency has been happily exploited by foreign investors and timber buyers who did not ask too many questions about the origin of their wood, or how the concessions were allocated.

State Capture

A major issue in developing and transition countries has been the question of how the state interacts with firms. However, little attention has been paid to the other side of the relationship: how firms influence the state – especially how they exert influence on, and collude with, public officials to extract advantages. A "capture economy" is corruption to a higher degree. *State capture* (in which firms shape and influence formulation of the rules of the game through private payments to public officials and politicians) needs to be distinguished from *influence* (doing the same thing, but without recourse to payments) and from *administrative corruption* ("petty" forms of bribery in connection with the implementation of laws, rules, and regulations). A capture economy is created if firms are able not only to bend the rules in a society, but also to create them to their own advantage. In a capture economy, public officials and politicians make private gains by selling scarce public goods and a range of rent-generating advantages to individual firms.

   As is always the case with corruption, all this takes place at considerable social cost while creating personal gains to the individuals involved. It needs to be noted that the victims include all other stakeholders in the society, including other firms. Competing firms suffer serious disadvantages and are not able operate on a level playing field with the captor firms.
Based on Hellman, Jones, and Kaufmann (2000)

Case Study: Oil Revenues in Equatorial Guinea and Angola

Cambodian logging is an example of a situation in which foreign and local companies make use of public officials and underdeveloped fiscal management to circumvent transparency in an industry that could in principle have been run by local entrepreneurs, and where competition could have been established quite easily. The oil industry has different characteristics: it is capital- and technology-intensive, and having connections with international players is almost a necessity. This is particularly the case with regard to small countries with windfall oil revenues, such as Equatorial Guinea.

   The oil revenue flow that started in the mid-1990s has totally changed the economic landscape of Equatorial Guinea. In 2002, the country was the fastest growing economy in the world, with an astonishing GDP growth rate of more than 60%. However, there are strong indications that revenues have generally been misallocated, and little of the money has been put to such uses as increasing investments in social and physical infrastructure in the country.

   With revenues increasing by a very large factor in a just couple of years, the country has not been able to develop any capacity to manage funds. This has led to the autocratic ruling elite capturing the bulk of the revenue through opaque management of treasury funds and accounts inside and outside the country. For the individuals benefiting from the system, the contracts involved have been lucrative - so lucrative that they have not bothered to protect the interests of the country. Contracts with US oil

companies have become very generous for the companies compared to those in other countries in the region. Even a modest share of the revenues has resulted in huge private incomes for the individuals involved. The beneficiaries seemed to have engaged in a balancing act: generous revenues to the companies have made them take the financial, judicial and reputation-related risks of operating in Equatorial Guinea. Furthermore, many of the payments to the ruling elite are made in advance against withholding future payments at source. This discourages any company from becoming a "whistleblower" with regard to the current regime.

In itself, the holding of oil revenues in offshore accounts with respectable financial institutions is often very sensible and prudent. It eliminates risk of the Dutch disease and problems related to the absorptive capacity of the economy. Oil revenues must be managed for future generations as well, and the funds need to be managed accordingly. But revenue management has to be based on professionalism and transparency, and it has to be subject to public scrutiny, not populism. Unfortunately for the people of Equatorial Guinea, all this appears to be lacking in the management of their country's oil revenues. As Ruohomäki discusses in his essay, mismanaging public resources can also become a way to leave office. The alleged coup d'état attempted in Equatorial Guinea in 2004 indicates that the revenues are also attracting other would-be autocrats.

If the fate of Equatorial Guinea's oil revenues is a case where the sudden inflow of resources has caught a country unprepared, and a regime unwilling to become prepared, the mismanagement of Angolan oil revenues is an example of planned plunder with the willing participation of international companies.

The cease-fire in 2002 ended decades of civil war in Angola and hopes were raised that this natural resource-rich but war-torn country could start rebuilding itself. The war had been financed to a great extent by opaque oil deals with western oil companies, leading to some peculiar situations. At one stage, Cuban forces were protecting US-owned oil installations in Angola against the attacks of US-backed UNITA insurgents. The lack of transparency in oil- and arms-related foreign trade led to high-ranking Angolan officials personally benefiting from the deals. This was revealed by French legal proceedings that resulted in prison sentences being imposed on a large number of French oil executives for the misuse of French funds – though not of Angolan funds.

It has been estimated that in the period 1997–2001 an annual amount of some $1.7 billion has not been accounted for. This would correspond to an astonishing 11-40% of annual GDP and it would be from three to ten times the public expenditure on social services.

If the problem in Equatorial Guinea is to some extent that of lack of capacity to monitor sudden financial flows, the case of Angola is different. Even during the civil war, the government and the national oil company, Sonangol, were able to devise complex financial structures to hide oil revenues in offshore accounts beyond scrutiny by the Angolan public, international donors and the Bretton Woods institutions. This would have been impossible without the willing participation of international oil companies. However, it is interesting to note that when BP, a UK oil company, committed itself to disclosing all its payments to Sonangol, the Angolan partner quite quickly threatened to terminate their contract on grounds of breach of confidentiality. This led to BP effectively drawing back from its commitment by disclosing payments by only some of its subsidiaries. There are limits to transparency for all parties.

3.2 Is there a "race to the bottom"?

Increased cross-border investments and supply chains have brought issues about the working conditions in emerging markets to the forefront in industrial countries as well, not only in the countries themselves. The responsible behaviour of corporations is often judged from two perspectives: social performance and environmental performance. In the realm of social rights there is a large number of initiatives and programmes to promote such rights, and measure how companies behave and how they treat their employees. Perhaps the most widely respected yardstick is that of the ILO conventions on fundamental labour rights, which have been fully or partially agreed by most ILO member countries and governments. However, a large number of workers are still not covered by these conventions. For example, such large industrial countries as Brazil, China, India and the United States have chosen not to ratify the fundamental convention on freedom of association. The ILO Declaration on Fundamental Principles and Rights at Work was adopted in 1998 and it is a commitment by governments as well as by employers' and workers' organisations to maintain the basic principles vital to social and economic well-being. The Declaration covers four areas:

i) Freedom of association and the right to collective bargaining;
ii) Elimination of forced and compulsory labour;
iii) Abolition of child labour, and;
iv) Elimination of discrimination in the workplace. [3]

These fundamental rights are commonly understood as being global standards for good performance by both governments and enterprises. There are also others standards and schemes, which aim at setting guidelines for assessing labour relations. One well-known scheme is the UN Global Compact, which aims at creating a global alliance between the UN, its member governments and individual corporations to promote sustainable development and good social and environmental behaviour. The Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus and are derived from:

i) The Universal Declaration of Human Rights
ii) The International Labour Organisation's Declaration on Fundamental Principles and Rights at Work
iii) The Rio Declaration on Environment and Development

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[3] http://www.ilo.org/dyn/declaris/declarationweb.indexpage

The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards and the environment.[4]

These global initiatives cover all aspects of employment: formal and informal, in local and international enterprises, and in developing and industrial countries. Consequently, they cannot be used as benchmarks for comparing performance in one country with that in another: countries (or companies) either meet the criteria or they do not. Nor do they address the fundamental factor in individual worker–employer relationships: wage levels. Particularly in low-tech manufacturing industries, much routine assembly work has relocated to Asian, Caribbean and other emerging industrial countries. Much of this takes place through FDI by European, Japanese or North American corporations who establish factories in other countries. Another option is through indirect foreign investment, whereby production is outsourced to developing country suppliers who may be nationally or internationally owned. The system preferred depends a lot on the level of technology and precision required in quality control. Traditionally, the garment industry has been characterised by outsourcing to locally (or regionally) owned factories, whereas electronic appliances have been assembled in factories owned by the western companies themselves.

The outsourcing industry itself is also changing. In such a relatively high tech industry as mobile phones, systems suppliers manufacture a large part of global production. They also cover a wider segment of the production cycle. Previously only manufacturing was outsourced, whereas today R&D activities, too, can be procured from outside the core enterprise. Notwithstanding the fact that most developing countries have not been able to attract high-tech manufacturing, but have been competing for such low-tech industries as garment-making or woodworking, some countries have seen outsourcing as a stepping stone for creating vibrant new industries. Recent cases include China and India. Some countries, like Taiwan and Malaysia, have been able to go even further and create their own brand industries, based on systems-subcontracting industries.

The combination of increased competition for FDI and the increased complexity of outsourcing networks has raised the question of how countries can attract foreign investors to their countries. Completely legitimate methods include the provision of stable macroeconomic conditions, a well-educated work force and other aspects of an enabling business environment that also benefit national entrepreneurs. Other widely used means to attract investors are tax and other incentives aiming at attracting foreign companies to establish plants. Such incentives are widely used and have been

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[4] http://www.unglobalcompact.org/

implemented in many different ways. According to economic theory, such incentives should only be offered if positive externalities (e.g. technological or managerial spillover) are larger than the subsidy. Ideally, the subsidy should be the decisive factor when the investment decision is made, because this would ensure that national resources are used in a manner that yields the best social return on public expenditure.

The creation of such an ideal subsidy structure is, however, notoriously difficult if not impossible. In decision making, cost–benefit analysis can be only based on relatively vague assumptions because economic benefits derived from externalities are difficult to measure, and the value of tax incentives can often be assessed only some time afterwards. Analysing each individual investment proposal requires considerable human resources and technical capacity from the local administration in fields and industries that may be unfamiliar to officials. There may also be conflicting interests when setting up the system. Promoting new and unfamiliar industries to take advantage of, for instance, an untapped natural resource, or another production factor, or a domestic market, is more likely to generate positive spillover effects than mere duplication of existing industries. The former should thus be first in line to receive the scarce subsidies, while latecomers should get by with their own resources. However, such a policy could lead to monopolistic structures in the market, since competing firms would not have a level playing field. Thus, optimising subsidies from the *technological transfer* or *spillover* perspective would not be optimal from the *competition* perspective, and vice versa.

The critics of FDI and globalisation have voiced concern about yet another means of competing for foreign investments: lowering national labour and environmental standards in order to attract investments. This phenomenon has been aptly called "the race to the bottom" by anti-globalisers. However, while this term is widely used, there is no uniform definition of it. One of the first people to take up the concept was David C. Korten in his 1995 book "When Corporations Rule the World". He states that:

> *What the corporate libertarians call "becoming more globally competitive" is more accurately described as **a race to the bottom**. With each passing day it becomes more difficult to obtain contracts from one of the mega-retailers without hiring child labor, cheating workers on overtime pay, imposing merciless quotas, and operating unsafe facilities. If one contractor does not do it, his or her prices will be higher than those of another who does. With hundreds of millions of people desperate for any kind of job the global economy may offer, there will always be willing competitors. Faced with its own imperatives, the core corporations can do little more than close their eyes to the infractions and insist that they have no responsibility for the conditions of their contractors.*

A definition that is widely available on the Internet [5], states that

> In comparisons of regulation, a **race to the bottom** is said to occur when competition between nations (over investment capital, for example) leads to the rapid dismantling of regulatory standards.
> … The occurrence of races to the bottom is mitigated by the costs of moving investment and production between countries, by persistence of comparative advantages (such as skilled workforces, infrastructure or proximity to natural resources), and by the presence of minimum standards, rules or conventions which prevent them.
>
> Races to the bottom can also occur between the states or administrative regions within nations, which often seek to attract businesses and jobs on the basis of a favourable regulatory environment. The extent of such intra-national races is limited by the power and inclination of central national governments to act against them.

Another much-quoted expounder of the idea of a race to the bottom is Alan Tonelson, who approaches the topic from the perspective of a worker in a developed country:

> My own recent book on the subject (actually titled "**The Race to the Bottom**") added several new twists to this analysis. The downward pressure on wages, it contends, has been and will continue to be intensified by the immense populations and high population growth rates of the giant third world countries whose rapid emergence has dominated the last 20 years of globalization. Entirely consistent with the laws of supply and demand, the huge, growing oversupply of workers they offer to multinational businesses can only drive down the price these workers command in world markets.
>
> Even worse, I added, the growing global labor glut will sandbag even high tech workers in developed countries. The two main reasons: First, many third world governments are working overtime to give their own workers twenty-first century skills and education. And second, the multinational companies spearheading globalization will continue to excel at making workers productive – even as their pay remains low. Already, virtually anything produced in the United States or Europe can be produced much more cheaply in Asia and Latin America.
>
> The economic policy establishment has long ridiculed these fears. But have they read Peter Wonacott's eye-opening report in The Wall Street Journal two weeks ago – which show how **race-to-the-bottom** dynamics are turning China into a manufacturing and technology giant while keeping wages in even high tech industries at pauper levels? [6]

Even though the first approach is emotional and the second definitional, a clear distinction needs to be made between the first two approaches: Korten emphasises

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[5] http://www.wordiq.com/definition/Race_to_the_bottom, http://www.informationgenius.com/encyclopedia/r/ra/race_to_the_bottom.html and http://www.portaljuice.com/race_to_the_bottom.html all have the same definition.

[6] http://americaneconomicalert.org/view_art.asp?Prod_ID=403

how companies seek, and need to utilise, low labour standards (including low wage levels) to be competitive. The other definition assumes that countries *proactively* lower their standards to attract foreign investment. This latter definition resembles the discussion of *social* and *environmental dumping, i.e.* some countries accept the most polluting and depressing industries in order to attract FDI.

The third line of reasoning, by Tonelson, is based on different premises: rather than assessing the process of how industry becomes globally located, it discusses the effects of the process on some specific industries in the United States. His FDI critique is based on the view that some American jobs have been lost due to industrialisation in developing countries.

There is ample evidence of the relatively poor working conditions and low nominal wages in a number of developing countries. For example, hourly wages differ a great deal, and effective minimal wages in developing countries are only a fraction of those in industrial countries even when adjusted for purchasing power. In addition to citing low wages, criticism has been raised over the issues of excessive overtime and hazardous working conditions.

The existence of less-than-desirable working conditions is a well-known fact, but the opponents of the "race to the bottom" perception have observed two shortcomings in the critique. Firstly, even if the standards are low in many developing countries, there is hardly any empirical evidence of governments actively lowering existing standards or legislation to attract FDI. And secondly, the proper comparison needs to be between the alternatives available to a local labour force with relatively little education. Comparing wages to those of industrial countries, for example, is not realistic. When assessing the evidence put forward in globalisation critiques, one needs to analyse carefully whether the prevailing situation can be contributed to FDI (or globalisation) as such, or whether it demonstrates existing poor conditions in a country generally. For example, David Korten (1995) gives a most unpleasant description of how employers treat their domestic staff in India. But domestic services is hardly a tradable sector and this example demonstrates poor labour protection in the country generally rather than the impact of globalisation.

Even with their existing wages, many garment industry workers support their rural families with remittances from wage labour, something they would not have been able to do had they stayed home on the farms. Thus compared to other opportunities available for rural entrants to the labour market, export industries often offer higher income possibilities. Much of the criticism has been directed at industries established by foreign capital. Once again, one needs to make the correct comparisons. Working conditions – particularly wage levels – need to be compared to others in the same country, and national legislation and international standards. For example, in the footwear and garment industries working conditions in factories that produce brand

products for global markets are often better than in other factories producing non-branded products for local markets and discount retailers.[7] In Vietnam, too, industries owned by foreign investors pay higher wages than the national average. In 2003, the average monthly wage (including allowances) was VND 755,000 (€ 45), while the corresponding figure was VND 927,000 (€54) in foreign-owned industries and VND 855,400 (€50) in SOEs[8]. Different industries have different wage levels, but this indicates that foreign investors are paying higher salaries, or are more concentrated in high-wage sectors. Furthermore, these facts do not support the claim that wages in FDI sectors would have been specifically reduced to attract foreign investors.

One of the most prominent defenders of economic globalisation, Jagdish Bhagwati (2004), has also noted an additional benefit arising from the increase of subcontracting industries in the developing world. In his view, increased employment in the garment and footwear industries has actually enhanced, rather than limited, women's opportunities to earn their living independently. Here again one needs to assess the alternative options. Wage labour in subcontracting industries may be historically the first opportunity for rural, often uneducated, women to break free from the bonds of unpaid household work.

As for the third justification for the use of "race to the bottom", by Tonelson, it hardly stands up to examination if the protectionist elements are removed from the argument. While it may be true that low-tech assembly industries in particular have to some extent relocated to developing countries, this has mainly meant the restructuring of employment. If a country becomes more competitive and jobs in a specific industry are generated there, one cannot say that the "losing country" has been facing unfair competition. By the same token one could say it is "unfair" that the industrial countries have high-tech jobs since they have a better-educated workforce.

When gathering evidence as to whether a "race to the bottom" actually exists, one needs to be able to use global criteria that are free from undue protectionist influence from individual countries, sectors or interest groups. What is interesting in the two globally respected assessment frameworks mentioned above (the ILO's basic conventions and the Global Compact) is that they are based on globally and mutually agreed standards. For example, the ILO conventions cover most countries and thus present the preferences of both developing and industrial countries. Consequently, one cannot say that they would be unduly influenced by any particular interest groups. They should thus in general provide the basis for neutral assessment of globalisation and the

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[7] For a microlevel description of the Vietnamese footwear industry, see Grundström and Tuunanen (2002).

[8] European Union Economic and Commercial Counsellors (2004)

issue of whether foreign direct investments have had a tendency to lower workers' rights and livelihoods; the question of whether bad FDI leads to a race to bottom and whether globalisation has a darker face.

Having assessed the global developments in labour rights, the ILO (2004) has made the assessment that the situation is still challenging but improving gradually. The organisation states that much of the improvement can be contributed to democratisation of societies and increased transparency brought about by the globalisation of markets. The ILO has also observed that the right to collective bargaining is not only a matter of participation and human rights, but it has made income distribution more equal, making development more pro-poor. This argument can, however, be challenged to some extent. Particularly in the poorest countries, poverty is predominantly a rural phenomenon. How collective bargaining and improved conditions in wage labour have benefited the rural poor remains an open issue.

4. Challenges of pro-poor growth

Basically, FDI as a development issue is very much linked to the question of how to promote pro-poor growth. While it is widely understood in general terms that economic growth is good for the poor, it is equally crucial to analyse the quality of that growth. In this context, we must ask whether FDI has a tendency to make growth pro- or anti-poor and, specifically, to what extent domestic businesses suffer or benefit from FDI. The development impact of FDI and economic policies can be studied through changes in the incomes of the poorest income groups of a society. The basic test involves asking whether the incomes of the poor have increased as a result of the policy choices or not. However, the linkage between reforms and investments on the one hand and income changes on the other is not easy to establish, particularly if several policy choices are made simultaneously. Correlation does not necessarily indicate causality.

The concept of pro-poor economic growth needs to be separated into two components: on the one hand the rise in average incomes in a society, and on the other the change in income distribution, i.e. how the income level of the poor has changed relative to the rest of society. Two different definitions for pro-poor growth can be derived from this disaggregation. Growth is pro-poor *in absolute terms* if the income levels of the poor increase irrespective of what happens to the incomes of the others. The increase may be due to increase in average incomes, change in income distribution or a combination of the two. The alternative definition is *relative* pro-poor growth, where the incomes of the poor increase more than those of others. In this case average income growth is not enough, but there needs to be a change in income distribution as well. Despite the conceptual differences, the counterfactual

proposition is easy to establish: if the incomes of the poor have declined, there has hardly been pro-poor growth[9].

The relationship between FDI and pro-poor growth objectives can be approached from a variety of angles and all of them are basically case- and context-specific. How much is FDI able to increase the average income growth? What is the income elasticity of poverty? Does FDI focus on sectors that can contribute to pro-poor markets outcomes? These are some of the salient questions that need to be addressed when studying the impact of FDI on income poverty.

The cases presented in section 3 above present additional issues for study. The OECD's poverty guidelines (OECD 2001) introduced the multidimensionality of poverty: in addition to income poverty, poverty also involves an inability to fully influence one's own environment and living conditions. High-quality investments can create a virtuous circle that yields benefits in many aspects of life. On the other hand, state capture in resource-based industries, or deplorable working conditions in manufacturing industries may challenge development with regard to other dimensions of poverty than income poverty. Moreover, an increase in average incomes does not necessarily lead to pro-poor growth if the increase is counterbalanced by adverse changes in income distribution.

The international development community is increasingly using the Millennium Development Goals as its benchmark when designing interventions and monitoring performance. While national poverty reduction strategies are not necessarily derived directly from these global goals, they generally tend to focus on similar issues and thus form a logical platform at national levels for the planning of development cooperation. These strategies come in many shapes and sizes. However, in addition to promoting social development and "direct" poverty reduction, they often deal with other fundamental factors that contribute to sustainable economic development, pro-poor growth and consequent social development. In brief, they try to find ways of creating a virtuous circle where national and international resources are effectively harnessed to promote poverty reduction. A crucial factor in this is pro-poor economic growth, which is the key to sustainable poverty reduction.

Investments are necessary if economic growth is the aim, but this leaves development agencies and donor governments in a dilemma. Nowadays, developing country governments themselves try to attract FDI, and foreign investors - from other developing as well as from industrial countries – are willing to come in if the conditions are right.

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[9] If the incomes of the poor decline less than the average incomes, there has been pro-poor development in *relative* terms. However, despite preferences, this can hardly be considered to be a viable policy objective.

What role then remains for development agencies? Is it only to one-sidedly question the pursuit of FDI because of potential socio-economic problems that may be caused by international investors, or should donors also promote FDI, or should they merely enhance the developing country governments' capacities to manage the processes?

5. Conclusion

The analysis of the role and quality of FDI in developing countries is a complex issue to say the least. There is no recent evidence that globalisation and the introduction of foreign investments would have created a downward spiral in otherwise tranquil societies. However, as the examples of extractive industries demonstrate, some companies have actively taken advantage of poor governance in developing countries and have not made even a modest attempt to improve the situation. The same can be said about some typical low-tech manufacturing industries that have established themselves in developing countries. Even if they have not contributed to lax labour law enforcement (for example in terms of safety and overtime) or restrictions on labour unions, they have certainly taken advantage of the situation. To sum up, one could say that even if foreign investors are not the cause of the problem, they are a part of it, so the host countries and international community should make them a part of the solution as well.

The host developing countries can do a lot to increase the quality of foreign direct investments and make them serve development purposes better. Rather than trying to attract *foreign* direct investments, the countries could promote *any* investments. It is obvious that both domestic and foreign investors value the same things when making investment decisions: stable macroeconomic situations, the rule of law, and transparency. As seen in the examples concerning extractive industries, companies that have been able to reach a favourable position may enjoy benefits from improper business activities but they still face notable risks. In individual cases, there is an immense risk for a company's reputation and – as was seen in the case of oil companies – corporate management face personal risks if involved in improper business activities abroad. Still, at the aggregate level businesses value predictable and competitive operating environments. Obscure decision-making makes entering new markets difficult for companies. Risk management is also a key to sharing revenues between various stakeholders. In risky environments, returns need to be higher to attract investors. As was seen in the case of Equatorial Guinea, an unpredictable operating environment and extremely high political risks leads to unfavourable revenue sharing from the host country's perspective. Were the environment more transparent and competitive, the companies would both settle for lower revenues and bid for the concessions. All of which would make life a great deal better for the people of Equatorial Guinea.

Creating a pro-investment, pro-growth and pro-poor environment requires a clear vision on the part of developing country governments, and a well-planned national strategy. The promotion of investment and employment promotion should therefore form an essential part of national poverty reduction strategies and their implementation. If poverty reduction is to be taken seriously, national efforts and resources should be directed in a manner which ensures that the poor, too, become part of the solution and benefit from national development. National budgets and public funds are vital tools in making national development more participatory and equitable. Extraction of natural resources may be particularly difficult to arrange in a way that directly benefits the poor and results in poverty reduction; resources may be geographically limited, or processes may be capital intensive and require such skills that foreign companies and expertise are required to exploit the resource. In such cases, the transparent and democratic allocation of revenue use is of utmost importance if the nation as a whole is to benefit from the funds. Examples from the oil industry provide a gloomy history of cases where this has not taken place.

While the host countries have key roles, the investors' home countries must also play their parts. Governments in developed countries need to increase development financing and link it better to the responsible use of national resources. In the case of extractive industries, if countries are genuinely concerned about revenues being used for the benefit of the people of the host countries, international regulation of tax havens and money laundering must be strengthened. Industrial countries should also make specific efforts to enhance companies' commitment to "publish what you pay" policies. The minimum requirement should be for full transparency if any public support (e.g. financing or guarantees) is provided. Such policies could also be promoted through enterprise taxation or other indirect means. Since relations between businesses and host country governments often require direct or indirect political support from home country governments and embassies, such support can be made conditional on full transparency about payments to public officials.

Particularly in small countries with sudden revenue increases, national public financial management and accounting systems may simply be inadequate to cope with the increasingly complex contracts and financial flows. The international community should therefore be flexible in providing assistance to set up the necessary systems. The World Bank, the IMF and regional development banks should be particularly proactive in providing advice and support for setting up these management systems. Such international organisations can be seen to be more neutral than bilateral partners who may have hidden agendas in promoting their own national business interests.

Finally, the question remains as to whether foreign direct investment is a "problem without a passport", increasing developing countries' vulnerabilities and reliance on

outside factors. The answer is not straightforward and it depends very much on a number of domestic factors in the host country. To answer the question one would need to be able to unbundle the very concept of foreign direct investment into two components: foreign investment and direct investment. In essence, this requires an ability to identify the impact of investment as such (foreign or domestic) and to distinguish it from the impact of purely foreign investment.

Foreign enterprises are often able to provide much needed expertise and capital, facilitating capital accumulation and increased productivity in a country. Taken together these increase the competitiveness of the country, and this in turn does have tangible development benefits, for example through employment generation, increased tax revenues and more balanced current account. If domestic investments are financed from domestic savings, FDI allows a country to leap to a higher level of investments than would be possible with purely domestic sources. As for expertise, the spillover discussed above is part of the very essence of FDI, since technological or managerial advantage is a prerequisite for successful FDI.

Apart from these advantages, foreign investments have the same characteristics as any investments, if the national legislation does not have special stipulations for differential treatment of foreign investors. Therefore, the assessment on the role of the FDI needs to be based not on the character of FDI but on the interaction between national decision makers in the host country and investors.

The examples discussed above concerning extractive industries and manufacturing, particularly in the garment industry, clearly demonstrate that investments from abroad are by no means free from problems. Very much depends on the quality of investments, and the level of transparency and accountability in host country governance. As demonstrated by Hellman, Jones and Kaufmann (2000), the "state captors" come in all forms and sizes. Both foreign and domestic investors are able to take advantage of poor governance standards and try to have undue influence in the host country. The most pernicious examples can be found in extractive industries, and in those cases foreign companies are often involved. These industries are capital intensive and require technical expertise that is not often available domestically. Sometimes new natural resources are also found in countries where the national administrative structures are not yet ready for windfall fiscal revenues. This provides a fertile breeding ground for state-capture types of activity by foreign companies. But do they necessarily have to be foreign? It could safely be argued that this is not a necessary condition. There may be benefits, if the investor's home country government provides some backing that a domestic investor would not have. On the other hand, when foreign companies operate in international markets there is always the risk of their reputations suffering because of NGO criticism and, as was seen in the French court case relating to oil revenues from Angola, improper activities may have legal consequences in their home countries as well.

As far as manufacturing industries are concerned, the problem may be located at a local level. Even if national governments in host countries are officially eager to have high labour and environmental standards, there may be some "leakage" in their implementation by local authorities. And, as in the case of extractive industries, there are always investors who could be willing to utilise or even promote such a leakage. However, there is little evidence that these investors are inevitably foreign. They may be, but they are not necessarily so.

Where does all this leave the international development community? As discussed by Ruohomäki earlier in this volume, the key means of resolving the situation can be found in strengthening national governance systems both at the technical level (in accounting, fiscal planning and management) and at the political level. The involvement of civil society is also crucial. However, this relates particularly to civil society in the host developing countries. While NGOs in the developed countries have made indispensable contributions, for example in uncovering inappropriate behaviour on the part of their own countries' transnational corporations abroad, criticism has been voiced that, especially with regard to manufacturing and assembly industries, they may have an unintentional or even intentional protectionist agenda. Views from the host developing countries, e.g. from free labour unions, are better received and can be safely assumed to sincerely present the interests of the work force in the host countries.

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http://www.ilo.org/declaration International Labour Organization, Declaration on the Fundamental Principles and Rights at Work

http://www.publishwhatyoupay.org/ an NGO site on payment transparency in extractive industries

http://www.twnside.org.sg/ Third World Network

http://www.unctad.org/ United Nations Conference of Trade and Development

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5. Economic governance and the growth of the informal economy: Is the informal economy a necessary safety net or a threat to human security and development?

Max von Bonsdorff

1. Introduction

The issue of the large informal economy in developing countries has gained increasing attention in international development policy debates. Although neither the issue nor the phenomenon is new, some recent studies point out that informal economies are showing a growth trend in many parts of the developing world. The recent International Labour Organisation's report (2004) on globalisation[1] states, for example, that there is a growing divide in the world between a formal global economy and the expansion of an informal local economy in most societies. According to the ILO (2002), a large proportion of new employment opportunities in developing countries are not created in the formal economy but in the informal economy.

In many developing countries, it is thus not unusual that the majority of the labour force are engaged in the informal sector. Although the informal sector provides an important source of livelihood for many people, an interesting question arises as to the long-term societal consequences of a situation in which the majority, or a large part, of the population works in the informal sector in parallel with a formal economy

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[1]   ILO, World Comission on the Social Dimensions of Globalisation; A Fair Globalisation: Creating Opportunities For All.

that is only able to provide a direct source of livelihood for the minority. What are the economic consequences of the fact that many self-employed workers in the informal economy lack the kind of protection and support which government policies often provide for formal sector employees and enterprises? What are the long-term political implications for developing countries of situations in which a large part of the population, particularly the poorest groups, are excluded from the formal economic structures? Is the result political instability and a growing sense of illegitimacy concerning state governance structures?

This essay will focus on these questions, particularly by discussing the question of whether the growth of informal economies in low income countries is a necessary economic safety net, without any larger negative nation-wide economic and political implications, or whether the phenomenon includes societal costs that taken together can form a serious threat to human security and development in developing countries.

One of the key scholars in the debate on informal economies, Hernando de Soto, is clearly of the opinion that a growing divide between the informal and formal sectors in developing countries is, from the point of view of human security and development, a very risky trend. He has suggested, on the base of experience in his home country, Peru, that the existence of large informal economies strengthens the kind of hopelessness and exclusion that forms the seeds of terrorist activities.

> *"We knew that what gives terrorists power is the hope that the majority of people are sufficiently alienated from the existing political system that they can be recruited and become a base of support. Therefore the crucial anti-terrorist mechanism is one that involved the excluded in political reforms so that they can work and prosper within the market...* [2]

The aim of this essay is to analyse and discuss why and how the growth of an informal sector within developing countries can undermine the capabilities of the state to strengthen human security and development. The discussion will also touch upon links between the economic globalisation process and the growth of informal economies. There are also includes case examples focusing on one key form of informal sector activities: informal cross-border trade. The last part of the essay make policy suggestions as to how development policies could increasingly recognise the importance of this issue.

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[2]   De Soto, Washington Post, 2001.

2. Estimates and definitions concerning the growth in numbers of workers in the informal economy

According to the ILO (e.g. 2002) the informal sector has been growing in all parts of the developing world. The ILO (2002) gives the following estimations of the size of the informal sector, based on its share of total employment figures.

- *Africa*: The ILO estimates that during the 1990s informal work accounted for almost 80 per cent of non-agricultural employment, over 60 per cent of urban employment, and over 90 per cent of new jobs in Africa. Women, in particular, are engaged in informal activities such as food processing, handicrafts and vending. Cross-border trade is also a very important part of the informal sector in Africa. (See the case examples below.)

- *Latin America:* In Latin America, the ILO estimates that urban informal employment as a percentage of total urban unemployment grew from 52% in 1990 to 58% in 1997. The causes of this trend include the growth of the labour force due to demographic factors, increase in the numbers of women entering the labour market, and large-scale migration from rural areas to the cities.

- *Asia*: According to the ILO, the proportion of workers in the informal sector ranges from 45% to 85% of non-agricultural employment and from 40% to 60% of urban employment. Thailand serves as a particularly interesting example of how the informal sector can function as a safety net in times of economic recession. It is estimated that informal employment declined from 60% of total employment in Bangkok in 1980 to 57% in 1994, but rose back to 60% after the economic crises in 1997.

Schneider (2002) has made the following estimations about the size of the informal sector, based on its size as a per cent of GDP. On average, the informal economy was 42 % of GDP in Africa in 1999–2000. The figures are highest in countries like Zimbabwe, Tanzania and Nigeria, with 59.4%, 58.3% and 57.9% respectively. At the lower end of the scale, one finds richer countries such as South Africa and Botswana, with informal economy figures of 28.4% and 33.4% of GDP respectively. In South America, the average size of the informal economy is 41 per cent. In Asia the average is somewhat lower, with 26% in 1999–2000.

Although it is difficult to estimate the size of the informal economy, since the economic activities are by definition not registered in any official accounts, the figures and estimations mentioned above clearly show that informal economies constitute a

large part of the total economies in the developing world, a part on which the poor are largely dependent for their livelihoods.

Who, then, are the people in the informal economy, or informal sector? According to ILO (2002), the informal sector includes people working on their own account in "survival" activities, such as street vendors, shoeshiners, garbage collectors, paid domestic workers employed in households, people working at home, workers in sweatshops who are "disguised wage workers" in production chains, and the self-employed in micro-enterprises, operating on their own with contributing family members. The ILO (2002) has recently started using the term "informal economy" instead of the more common "informal sector", since the phenomenon compasses a huge variety of economic activities that are far broader than a specific economic sector or activity. The ILO uses the concept of "informal" to characterise economic activities that are not recognised or protected under any legal or regulatory frameworks.

Carr and Chen (2002) classify the informal sector according to the following employment categories:

Employers:
• Owners of informal enterprises
• Owner operators of informal enterprises

The self–employed:
• People working for their own account
• Heads of family businesses
• Unpaid family workers

Wage Workers:
• Employees
• Casual workers without a fixed employer
• Home-workers (also called industrial out-workers)
• Domestic workers
• Temporary and part-time workers
• Unregistered workers

According to Schneider (2002), one frequently used definition of the informal economy is *"all currently unregistered economic activities which contribute to the officially calculated (or observed) Gross National Product"*. Schneider has developed a taxonomy of various types of informal, or what he calls "underground", economic activities.

Type of activities	Monetary transactions		Non – Monetary transactions	
Illegal activities	Trade in stolen goods, drug dealing and manufacturing, prostitution, gambling, smuggling and fraud.		Barter of drugs, stolen goods, smuggling etc. Theft for own use.	
	Tax Evasion	Tax avoidance	Tax Evasion	Tax avoidance
Legal activities	Unreported income from self-employment, wages, salaries, and assets from unreported work related to legal services and goods.	Employee discounts, fringe benefits	Barter of legal goods and services	All do-it-yourself work and neighbour help.

Despite not being registered or regulated, the majority of "survival" activities in the informal economy in developing countries produce goods and services that are legal. This does not, however, mean that the informal economies in developing countries do not consist of illegal activities. According to the ILO (2004), one effect of globalisation has been a sharp worldwide increase in the level of illicit cross-border activities, including increased tax evasion and the rise of multilateral crime syndicates engaged in money laundering, trafficking in people, and the sex and drugs trades.

In this context, it is important to note that the use of term "informal economy" (or "shadow economy") with regard to a developing country context often has quite a different emphasis in meaning from its use regarding a developed country. In developed countries, economic activities are almost totally formalised in the sense that they are regulated by public authorities or registered by the national accounts. So discussion about the informal economy, or shadow economy in developed countries mostly relates to economic activities that move to the informal sphere for reasons of tax evasion, or other illegal purposes. In the developing countries, however, the situation is often completely different, since the majority of the population in many countries engage in informal sector activities in order to secure a basic livelihood.

2.1. Unofficial cross-border trade as a form of informal economy

Cross-border trade is a very important feature of the informal economy, and it is particularly relevant in Africa. In addition to the size and scope of the phenomenon, there is another aspect that makes cross-border trade a particularly interesting issue: the role of formal trade as a source of government revenue. In many African countries, official cross-border trade is the single most important source of government revenue. The causes of informal cross-border trade are thus an important issue for the fiscal policies of developing countries.

Two cases of cross-border trade are presented here: cross-border trade in the Horn of Africa and cross-border trade in the "Maputo Corridor" between Mozambique and South Africa.

Case Study: The Horn of Africa

According to Little (2004), cross-border trade represents an important informal sector activity in the Horn of Africa. The informal cross-border trade operates in a vast region where government presence is weak, or in some cases absent, such as in Somalia. In many cases, it represents the only type of trading and commercial activity in the area, since the extremely poor regional infrastructure and communications make official trade between neighbouring states difficult.

Little illustrates this with an example from Ethiopia, where unofficial exports of cattle are 25 times greater than the officially traded amount. Somalia is also one of the largest exporters of live animals in the world, and the greatest part is of this trade is informal. According to Little, exports from Somalia in 1998 accounted for 850,000 goats and 1.25 million sheep, or more than 95 per cent of goat exports and 52 per cent of sheep exports from the whole of eastern Africa. Cross-border trade is thus a major economic activity in the Horn of Africa and much of this trade is conducted without the support of official policies.

Why, then, is informal trade so huge in this area? Little gives two types of explanations. On the one hand it is question of weak government policies for facilitating official trade, and on the other hand it is a question of historical and socio-cultural ties between people across the borders. In terms of government policies and livestock trade, key problems include, for example, weak market infrastructures, veterinary certification facilities and transport infrastructure. Little also points out that generally pastoral groups are very poorly integrated in most of their countries, and the possibilities and channels to sell their products in their domestic markets are often weak and inadequate.

Social relations based on clan affiliation, kinship, and friendship also shape the pattern of cross-border trade throughout the region, according to Little. The presence of the same ethnic groups on both sides of the border further promotes it. Partners trading across international boundaries can draw on a common language and family or ethnic culture in conducting business. Consequently, cross-border trade in the Horn of Africa has always assumed considerable importance in the economies and societies of the region.

Case Study: The informal Maputo Corridor

According to Söderbaum (2004), the Maputo corridor between Mozambique and South Africa has been an informal cross-border region for more than a century, with millions of migrants and extensive informal trading.

Informal trading in the Maputo Corridor has been on the increase during the last decades, particularly after the socialist experience was abandoned. According to Söderbaum, this meant that many men and women left the traditional occupation of agriculture and embraced the market sector through commerce and petty trading in the cities. In 1990, commerce had already become the main occupation for women in Maputo. Many of them use the revenues received from selling agricultural products in Maputo to buy goods in South Africa and Swaziland and other neighbouring countries, for resale back in Maputo. According to Söderbaum this has created a never-ending circle of new types of businesses, trading and interaction, increasing the flux of people in the corridor.

In addition to informal trade, there are also many unofficial labour migrants who cross the border in search of employment in South Africa.

3. Why is the informal sector growing?

Why has the informal sector continued to expand? There are obviously no easy answers to this question about a very widespread phenomenon since causal factors differ between countries and regions. But as it seems to be a general trend that the informal sector is growing in most parts of the developing world, it is important to try to map out some of the general factors that lie behind it. Carr and Chen (2002) and ILO (2002) give the following types of causes:

Economic growth patterns and the informal sector: Many developing countries have faced a problem of slow economic growth, which has not created enough formal jobs. This has forced people to find employment or create their own work in the informal economy. The question of strengthening the linkages between economic growth and poverty reduction , or what is often called pro-poor growth (see, for example, OECD/ DAC 2001) has gained increasing attention in development policy debates in recent years.

Economic crisis and economic restructuring: According to Carr and Chen, evidence suggests that during periods of economic adjustment, due either to reforms or to crisis situations, the informal economy tends to expand. This happens, for example, when public enterprises are closed, or when the public sector is downsized, and employees cannot find new job opportunities in the formal sector. It is also common that households need to supplement their formal sector incomes with informal earnings in response to, say, inflation. In many developing countries, recent decades have been particularly challenging in this regard because of structural adjustment policy reforms and severe economic crises in Asia and Latin America.

Globalisation of trade and investments: According to Carr and Chen, economic globalisation processes tend to favour global trade and investment, especially in the case of companies that can rapidly move across borders, and to disadvantage labour, in particular low-skilled workers who cannot migrate easily or at all. Carr and Chen thus imply that the kind of economic globalisation process prevailing in recent years, and the policies that support it, creates more opportunities for global traders and investors seeking productive opportunities in different countries than for the low-skill workers in developing countries who do not have the same opportunities to migrate to economically more lucrative regions in search of employment.

The ILO (2002) has also mentioned rapid growth in cross-border commodity and value chains, in which the final producer in many cases is in the informal economy, as being a factor that contributes to expanding the informal economy. According to the ILO, a large proportion of the workforce in key export industries in developing countries, such as the garments, textile and electronics industries, work under informal arrangements.

Legal and institutional obstacles at the national level: For instance, problems related to commercial and business regulations, laws on property rights and labour legislation are also important causes according to the ILO (2002).

4. Human security and development risks related to the growth of the informal sector

Is the growth of the informal sector in developing countries a necessary safety net for the poor or is it a threat to human security and development? Finding an answer or, perhaps better, a perspective for this question is a major challenge for development policy.

According to Centeno and Portes, the relationship between the informal sector and the state is, theoretically speaking, by definition one of inevitable conflict. This is due to the fact that the role of the state is to make laws, enforce the laws and collect taxes in order to finance the public responsibilities given to the state by the law, but the informal economy operates outside these laws without paying taxes.

It is not uncommon that governments in developing countries see the informal sector and its operators as something to be controlled or policed. In practice, however, the relationship between the state and the informal sector – or, more broadly, between the formal sector public and private operators and the informal sector operators – in developing countries is a more complex one. The challenge is to identify the parties who benefit from a large informal sector and determine its long-term societal costs.

In order to be able to assess and answer these questions, it is important to look at the kinds of linkages that exist between the informal and formal sectors, and, particularly, the kinds of power relations that can be said to exist between them. Carr and Chen (2002) identify three different schools of thought in this respect: the dualists, the structuralists, and the legalists. According to Carr and Chen, the dualist view sees the informal economy as a separate marginal sector which is not directly linked to the formal sector, but which provides a safety net for the poor. The structuralists, on the other hand, view the informal economy as being subordinated to the formal economy. They argue, according to Carr and Chen, that privileged capitalists in the formal economy seek to erode employment relations and subordinate those who work in the informal economy in order to reduce labour costs and increase competitiveness. The legalists view informal work arrangements as a rational response to over-regulation by government bureaucracies. The legalist line thus argues, that those who run informal businesses do so in order to reduce their own costs and increase their own wealth.

Whether the effects of the informal sector are positive or negative for a society obviously depends on the point of view from which one makes the assessment. For the poor and vulnerable groups in developing countries it is clearly a positive matter that, in the absence of formal sector opportunities, the informal sector can provide employment and incomes – even though these are often small. The informal economy thus clearly has a function as a kind of safety net for large parts of the population in developing countries. Centeno and Portes (2003) note that the existence of an informal sector can also be seen to compensate for the low salaries received by formal sector employees, since it increases their purchasing power compared with a situation in which they would have to buy all their consumption goods and services from formal markets. Similarly, formal enterprises can lower their cost of production and distribution by using goods and services provided by the informal economy. Particularly in very poor economies these mechanisms have – at least in the short term – positive results for many population groups.

Nevertheless, the existence of a large informal sector clearly has many societal costs, and in the long term these can undermine the possibilities for development and increased human security. This is particularly the case in countries where the majority of the population depends on the informal sector for their livelihoods. Centeno and Portes conclude that:

"There is no question that as a lubricate device – a form of massive social arbitrage – an informal economy is fine and may even be necessary … informal activities may provide relief during downtimes in the modern economy and help subsidise both its firms and its workers through cheaper goods, services and labour. However this very functionality of informal activities contributes to the perpetuation of economic underdevelopment and

political backwardness 'locking in place' the conditions that makes these countries peripheral. The functions of the Latin American informal economy only exist because of continuing ineffectiveness of its states and stagnation of its economies." [3]

What, then, are the developmental costs involved?

Firstly, the growth of the informal sector implies that the proportion of people, and their organisations and firms, who are engaged in taxable productive activities diminishes. This obviously weakens the capacity of the state to adequately perform its key functions, such as the provision of essential public services, like education and health services, and the creation of a proper capacity to enforce rules and contracts.

A large informal sector is also closely linked to the continued existence in developing countries of great social inequalities, which the state is often too weak to reduce substantially. Centeno and Portes depict this problem, in a Latin American context, by stating that the state is often too weak to discipline the small elite and create or extract the resources needed for development. At the same time, the poor majority survive in the informal sphere by providing low-cost goods and services to the privileged minority.

In societies characterised by large informal economies and small formal enclaves it is usually the case that inequalities in terms of incomes are large, and that relative poverty rates are also high. International research shows that this kind of situation leads to increased criminality and thus to human insecurity in societies. According to a study cited in the World Development Report (2004), a relatively modest increase in income inequality would produce an average increase in robberies of 30–45%. [4] The criminal component of the informal economy obviously also means that the state faces increased costs in preventing these activities.

In connection with the issue of criminality, it is worth mentioning that it is not unusual that the rules and control functions of informal economic markets and operations are provided by various types of criminal and illegal networks and groups. Little (2004) gives an example of this in connection with the extreme case of Somalia:

What does it mean for the economic agents, like traders and middlemen, in a context where a formal economic and political institution in a country have collapsed? Based on the Somalia example, the impacts are not as significant as one might envisage. For the

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[3] Centeno and Portes (2003), p. 16.
[4] World Development Report (2004), p. 90

economic agent, port fees to import goods and to move them safely must still be paid, but instead of going to representatives of a central state, they are going to warlords and militias.[5]

A large informal economy in developing countries also has adverse economic consequences, because it diminishes the productivity of the national economy and thus hampers economic growth. The productivity of the informal economy is often very low due to problems in getting proper financing for investments. Another perspective, mentioned by the Commission on the Private Sector and Development (2004), is that the various unofficial payments that people in the informal sector have to make to public sector officials, in order to obtain protection and security for their operations, reduce their disposable income, which otherwise could be invested in strengthening the productivity of the informal operations. The economic growth of economies with large informal sectors can also be held back by the existence of an uneven playing field for the formal sector operators. According to the Commission, informal firms can charge less for their products and services because they avoid paying taxes and complying with other regulations. Because of this, it is difficult for more productive formal firms to capture market shares from informal economic players. The narrow formal sector is often overtaxed in poor countries.

The kind of societal costs discussed above show that when the livelihood patterns of the majority are largely unregulated and unsupported by the formal economic and political structures, the development potential of the society is hampered to some extent, and there is no stable basis for human security.

In view of the preceding discussion, it can be argued that serious societal costs are indeed linked to a large and persistent informal sector in developing countries, and this can be the cause of various forms of political and economic instability. An interesting example in this respect is given by Hernando de Soto. In his analysis of the Peruvian terrorist movement, Shining Path, de Soto claimed that the movement's traditional Marxist analysis of the division line between the proletariat and the owners of the means of production was largely irrelevant in the Peruvian context. According to de Soto, the real political divide was more between informal and formal entrepreneurship:

"Our research showed that the formal proletariat of Peru was no more than 5 per cent of the population, and that actually 70 per cent of Peruvians were entrepreneurs. The division line was not between a proletariat and those who had the means of production but, rather, a vertical line between those who had the means of production and competed

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[5] Little (2004), p.9

in an open market outside the legal system and those who had means of production with special access to government and were supported by official law.

The real issue for de Soto is thus that the legal system in Peru did not support and facilitate the economic activities of the majority in the informal sector. According to this line of thinking, a society loses a lot of its economic development potential, and increases the risks of political instability and human insecurity, if it is not able to include the majority of the people in the formal economic and political structures.

The ILO (2004) Report on Globalisation also highlights the importance of the issue of the informal economy. The report sees it is as a major governance issue, with a considerable impact on the distribution of the benefits from globalisation. The report thus identifies the growth of the informal sector as a key obstacle to the building up of fairer globalisation. The ILO (2004) specifies three characteristic features of a large informal sector, which link the phenomenon to poverty and unequal distribution of welfare in developing countries:

- Lack of rights and protection in the informal sector, which leads to vulnerability and inequality, undermining many of the principles of good governance.
- Lack of access to markets (including financial markets) and services, which means that the potential for economic growth and development is unrealised.
- Failure to build a fair and participative economy, because the "rules of the game" are in effect not the same for informal and formal economic players.

According to ILO (2004), there is a need to set clear rules that are applied equally to all members of society, since private initiative and entrepreneurship will only thrive if people feel that the law supports them.

The preceding discussion has identified many developmental costs and threats to human security that can arise from a large and permanent informal sector. Although, as been shown, there are various positive aspects with regard to the phenomenon, it is a sign of the exclusion of the majority of people in their own societies. A situation in which the state's formal laws, rules and economic structures neither support nor create an enabling environment for strengthening the livelihood and welfare opportunities of the majority, and the poor in particular, is a situation in which the exclusionary tendencies in society are strengthened. Tendencies of this kind worsen inequalities in developing countries, which can in turn threaten the long-term political stability and legitimacy of state structures, in ways that present serious obstacles to strengthening human security and development.

5. The policy challenge: Formalising the informal economy and building on its potential

In discussions about the informal sector, it is widely held that although informal sector activities are characterised by low productivity and poverty there is much potential in them – they form a great reservoir of entrepreneurship and innovation.

The first step for governments of developing country and for donors is to recognise more clearly the societal, economic and political risks involved in a growing informal sector and, at the same time, to understand the development potential that exists in informal sector activities, if they are suitably supported and enhanced. Governments should increasingly facilitate and support the strengthening of informal economic activities and their integration into the formal market structures of society.

The ILO Report on Globalisation (2004) concludes that the goal of policy makers must be to make the informal activities into part of a growing formal sector that provides decent jobs, incomes and security. According to the ILO, this should be an essential part of national poverty reduction strategies. Analysis of the causes and effects of a large informal sector is, however, often very limited and vague in the poverty reduction strategies of developing countries.

It is therefore essential that there should be more national dialogue between the government, public authorities and citizens about the main obstacles and constraints that hinder the formalisation of informal economic activities. Policy-makers in developing countries need to understand the size and form of the informal economy, along with its underlying causes. Little (2004) underlines the importance of the educational challenge in this respect:

> "Throughout my work in the region I have been surprised by the lack of understanding on the part of policy makers about either the scale – which is well above USD 45 million annually (2003) in livestock trade – or its importance to local populations and their welfare."[6]

Development policies that aim at building on the potential that exists within the informal economy have to be based on understanding how poor people live and how their existing capacities can be strengthened.

In a broader perspective, one could say that policy challenges set out by the OECD/DAC in its Guidelines on Poverty Reduction (2001) are particularly relevant when one talks about the kind of problems and constraints poor population groups face

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[6] Little (2004), p. 24

when operating in the informal economy. The policy objectives identified by OECD/ DAC can be summarised as follows:

- *Pro-poor economic growth*: According to the report, the conditions for economic growth that reduce poverty are good public-sector and corporate governance; macroeconomic and political stability; adequate and accessible physical and social service infrastructure for all population groups; secure assess for poor women and men to resources such as land, finance and human capabilities; labour-intensive forms of production; and social policies that foster cohesion, mobility, protection, redistribution and gender equality.
- *Empowerment, rights and pro-poor governance*: The OECD underlines, among other things, both the importance of democratic governance with popular participation in policy making, programme design and implementation, and the importance of a civil society with representative community organisations, human rights and the rule of law.
- *Basic social services for human development*: These include, for example, adequate access to nutrition, safe water, and good and affordable medical services and schools.
- *Human security*; This involves reducing vulnerability and managing shocks and crises, such as food shortages and natural disasters.
- *Mainstreaming gender and enhancing gender equality*: This includes, for example, improving women's access to employment, credit and other productive resources.
- *Mainstreaming environmental sustainability using sustainable livelihood approaches*: This calls for a focus on broad-based rural development.[7]

Looking at the formalisation challenge more narrowly, a key policy challenge that is highlighted by many scholars in discussions on transforming the informal economy is the issue of formalisation of informal property rights. As many as 4 billion people are at present effectively excluded from participation in the global economy because their property rights are not recognised.[8]

The ILO (2004) sees the legalisation of the property rights as an important step in integrating the informal sector into the formal sector. It identifies the following aspects of policy challenges in this sphere:

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[7] OECD/DAC (2001) p. 44–49
[8] ILO (2004), p. 61.

- Identify the people and the assets concerned;
- Identify the practices and customs which govern ownership, use and transfer of these assets, so as to root property law into the prevailing social context;
- Identify administrative, bureaucratic and legal obstacles to market access, and re-structure the legal framework so that the actors concerned have an incentive to operate under the rule of law and have their assets and transactions officially recorded;
- Design low-cost legal and administrative mechanisms that will allow previously informal property holders and businesses to interface productively with creditors, investors, public services and international markets.[9]

In addition to the importance of property rights and strengthening the possibilities of the poor to own and control their productive assets, Rehman Sobhan (2004) underlines the importance of restructuring monetary policy in developing countries so that commercial credit would be increasingly available to the poor. Sobhan also highlights the importance of developing financial instruments such as mutual funds, that the poor could use to invest a small part of their savings, which would then be reinvested in the corporate sector. Sobhan emphasises the importance of creating opportunities for the poor to participate and compete in the formal economy. An interesting case in this respect is the GrameenPhone example in Bangladesh cited by Sobhan (2004)

Case Study: Poor Bangladeshi women as investors

GrameenPhone is a commercial joint venture designed to provide cellular telephone services in Bangladesh. The company has 2 million subscribers and thus covers two thirds of all phone subscribers in Bangladesh. Telenor, the largest mobile phone company in Norway holds a 51% ownership stake in GrameenPhone. Telenor has so far invested USD 600 million in the joint venture, making it the largest single foreign investor in the country. At present, 35% of GrameenPhone is owned by GrameenTelecom, a sister organisation of Grameen Bank, which is, in turn, owned by 2,3 million poor women from rural areas in Bangladesh. As and when GrameenPhone goes public, it will be possible for these women to become direct stakeholders in the largest private enterprise in the country. The goal of Grameen Bank is to make these poor women into the majority owners of the company as Telenor meets their commitment to gradually divest their equity stake in the company to local investors.[10]

Sobhan argues that the prospects of poor rural women in Bangladesh owning one of the largest corporate enterprises in the country, as in the example above, could have a

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[9]   ILO (2004), p. 61–62
[10]   Sobhan

transformatory effect on how the poor perceive their role in the national economy. Sobhan also suggest that aid funds could be directed to enhance the collateral of groups of the poor for buying corporate assets in the developing countries. He suggests that a share of aid budgets could be channelled into a Global Equity Fund directed to capitalising national equity funds for the poor.

Sobhan´s points about the importance of poor people being able to buy corporate assets goes to the heart of the matter in this respect. The poverty-reduction efforts of development policies need to focus on the economic growth sectors of developing countries', and particularly on the challenge of providing the poor with opportunities to participate in the markets on the same terms as those available to more privileged groups. This could have a huge empowering effect for the poor, which is essential for strengthening the kind of political processes needed to tackle the inequalities and poverty challenges that exist in developing countries. The other possible scenario, of growing informal economies and small formal elites in the developing countries, is not a promising one from a development and human security perspective.

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6. Does the environment create conflicts or promote peace?

Minna Haverinen and Matti Nummelin

1. Introduction: Peace and Green Activism

> *"Violence against nature and violence against people go hand in hand, and environmental destruction typically proceeds in ways that constitute social injustice. This is why peace activists and environmental activists are so often able to find common ground." (Ken Conca, 1994)*

The aim of this article is to generate discussion and to advance thinking concerning such questions as: What is the connection between crisis-preventive development cooperation and crisis management in developmental policy-making? Could the environment provide a new perspective and be seen as a base for cooperation rather than as a source of conflicts? Could crisis management offer new perspectives to facilitate the development of a sustainable and peaceful society? Who could be trusted to develop these new ideas within the civil-military co-operation?

Simon Dalby (1994) describes the situation concerning ecological insecurity and development. He stresses that it is clearly evident that poor people, especially in the developing world, are becoming more vulnerable to threats from "natural" hazards. Poverty forces them to live in dangerous places on marginal lands where their lives and livelihoods are vulnerable. It is the poor who starve when climate change results in famine. It is their countries that are increasingly in danger of becoming repositories

for toxic wastes from industrial societies with few ideas on what else to do with their refuse.

Dalby (1994) notes that these threats are human-generated, even though not malignantly intended. They are indirect threats rather than threats of deliberately planned military action. They are the result of the kind of society that the current global political economy produces. Industrial activity, agricultural monocultures and rampant individual consumption of "disposable" items are all attempts to enhance some form of welfare through domination and control of nature, but they produce other forms of insecurity which undermine the provision of security that is the ostensible reason for many of these activities in the first place. If people's activities and their way of life - precisely the things security should be ensuring - are undermining the long-term viability of that way of life for humanity as a whole, the contradiction involved becomes painfully obvious.

An example of a non-violent environmental attack is the poaching of natural resources by foreigners, which can inflict serious damage on a country and increase general insecurity. This was true, for example, of Namibia's fisheries, when the weak new state was not able to control its coastal zone properly and trawling by foreign vessels, including some from European Union countries, caused losses of millions of dollars to Namibia. Such foreign poaching also impairs the livelihood of indigenous fishermen and threatens the sustainability of fish stocks. In the case of Namibia, the United States Department of Defence identified Namibia's security problem and since then the US has helped to strengthen Namibia's ability to patrol its marine economic zone (Butts 1994).

It is also clear that armed conflicts create environmental problems. The United Nations Environment Programme (UNEP) has established a Post-Conflict Assessment Unit (PCAU) which has so far worked in Afghanistan, Albania, Bosnia-Herzegovina, Serbia and Montenegro, Macedonia, Iraq, Liberia and the Occupied Palestinian Territories. The PCAU investigates environmental impacts of conflicts and pre-existing chronic environmental problems, identifies risks to human and environmental health, recommends strategic priorities for clean-up and remediation, promotes an environmental agenda and regional environmental cooperation, strengthens the capacity of authorities for environmental management and protection, catalyses and mobilises international support for environmental projects, and integrates environmental considerations into the recovery and reconstruction process.

2. Historical background: Was Malthus right?

"Environmental catastrophes have taken the place of nuclear weapons in people's minds."
(Jyrki Käkönen, 1995)

The historical debate related to modernism and human development has led to arguments about whether or not the scarcity of environmental resources, and their growing exploitation, will lead to conflicts. Thomas Malthus, in the eighteenth century, was the first well-known author to deal with the impacts of environmental degradation on human welfare. He examined the connection between environmental resources and their limiting effects on population growth and consumption: while population grows exponentially, food production grows linearly. If demographic growth continues unchecked, overuse of resources inevitably leads to poverty and chaos in social well-being. The argument was challenged through the new perspective provided by neo-classical economists. They argued that a Malthusian future could be avoided by letting markets operate freely. Their idea was that the exploitation associated with human development is replaceable by market-inspired innovations, and the preservation and substitution of scarce resources. These two views form the basis for contemporary discussion concerning the environment, scarce resources and conflict. They can be seen as the cornerstones of an understanding of how the environment sets limitations on human development (and, indeed, on the overall possibility of human existence), and how human development can transform this understanding into appropriate action.

During the 1970s and 1980s, the environment became a topic for discussion on a global scale. Specifically, it was in the 1972 United Nations Conference on Environment, in Stockholm, that a declaration on international environmental protection was put on the global policy agenda for the first time. This manifested an understanding that the underlying cause of unsuccessful development and poverty is often environmentally based: environmental problems are a major cause of other, more visible, problems in society. Although environmental problems were recognised in this sense of causal relation, however, there were no explications of environmental connections between security and conflicts. In fact, it was Olof Palme, then Prime Minister of Sweden, who in 1982 first drew attention to the connection between security, development and environment in the United Nations Commission on Disarmament and Security, by redefining security to encompass both collective security – the traditional and military notion of security – and common security. Common security was thereafter a notion of a broader security concept, which included economic change, environmental degradation and the scarcity of resources. Later on, the term was further changed to "comprehensive security", which, together with common security, was meant to be the basic foundation of international politics. This did not

happen. The global discussion arena found another definition, and the term "sustainable development" came into wide use after being first introduced by the Bruntland report "Our Common Future" (1989).

2.1 Global conferences

In the Bruntland Report, sustainable development was defined as "development which meets the needs of the present without compromising the ability of future generations to meet their own needs". The main object of the report was to induce all the world's states to strengthen their multilateral cooperation, whilst bearing in mind that sustainable development is to be shared between all countries, both developed and developing. Sustainable development emphasises the concept of needs, especially basic needs in poor countries, which should be prioritised. It also includes the idea of limitations regarding nature's ability to satisfy contemporary and future needs by social systems utilising modern technology. Sustainable development requires that people's needs should be met by increasing production capacity and by providing social equity. It also requires the preservation of the life-supporting mechanisms of natural systems, whose functions are compromised by human actions. Overall, sustainable development links together economic growth, social equity and environmental protection. However, it does not make explicit linkages between environmental security and conflict. The topics presented in "Our Common Future" continued to be debated internationally. Three years later, in 1992, the United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro produced global environmental conventions on climate change (UNFCCC), biodiversity (CBD) and desertification (UNCCD).

The UN Convention on Biological Diversity (CBD) recognises the harmful effects of war on the conservation of sustainable biological diversity, especially in regions rich in endemic species, and the need for the mobilisation of financial and technical resources for the rehabilitation and restoration of affected bio-ecological zones (COP V/24). The UN Convention to Combat Desertification (UNCCD) and the UN Framework Convention on Climate Change (UNFCCC) recognise war in their several reports (see the case study on climate change in section 3.2 below). These environmental conventions, and support for their implementation in developing countries, form the backbone of the mainstreaming of environmental issues as a cross-cutting issue in Finnish development cooperation. (Government of Finland's White Paper on Development Cooperation, 2004.)

In 2002, the Johannesburg Declaration on Sustainable Development of the World Summit on Sustainable Development (WSSD) reaffirmed the pledge to particularly focus on, and give priority attention to, the fight against the world-wide conditions that pose severe threats to sustainable human development. Armed conflicts were identified as being an important factor with regard to these conditions.

The WSSD's implementation plan stresses that there is a need to create an enabling environment at regional, subregional, national and local levels in order to achieve sustained economic growth and sustainable development, and to support efforts for peace, stability and security, and the resolution and prevention of conflicts. The plan also emphasises the importance of "dealing effectively with natural disasters and conflicts, including their humanitarian and environmental impacts, recognising that conflicts have hindered and in many cases obliterated both the gains and efforts aimed at sustainable development, with the most vulnerable members of society, particularly women and children, being the most impacted victims." In addition, cross-border environmental issues are recognised in the plan. There is, for example, a need to promote integrated water resources development (discussed in section 4, below) and to optimise the upstream and downstream benefits.

2.2. Current views

After the Cold War, new kind of conflicts, such as terrorism and the poaching of natural resources, arose all around the world and there was a desperate need for a new perspective for redefining security. In the late 1980s and 1990s, the attention paid to environmental degradation and its links to, for instance, poverty and bad governance led to new definitions of security being presented by conflict studies in both the United States and Europe. Research into environmental conflicts began to focus on how environmental problems cause social problems, and how these problems can lead to ethnic and political conflicts, especially in the developing countries. Research in the early 1990s has shown that environmental change does not automatically result in conflicts, because many complex aspects are involved and their causality chains have to be taken into account. Such aspects include poverty, the pressures of human population growth, environmental refugees and ethnic and political conflicts. Degradation of the environment and scarcity of resources are therefore both causes and consequences. Concurrently with these developments, the more encompassing term "human security" was introduced. It was now increasingly evident that development and conflict were interrelated, and that when international development cooperation and conflict prevention are discussed violent conflicts cannot be taken as "stand-alone" issues without reference to, for example, the environment.

There has been intensive debate about the definition of environmental security and its connections with national strategies and to international cooperation. Definitions concerning environmental security vary between researchers and between branches of research. In the 1990s, the main branches were considered to be the Toronto School, led by Thomas Homer-Dixon, and its challenger, the International Peace Research Institute in Oslo (PRIO), led by Nils Petter Gleditsch. Moreover, Switzerland

has produced initiatives concerning environment and conflict, in particular the Environment and Conflict Project (ENCOP), and its follow-up, Environmental Change, Consensus Building and Resource Management in the Horn of Africa (ECOMAN) and Environment and Cooperation in the Nile Basin (ECONILE). NATO, Oregon State University and the World Bank have also been involved in the discussion on environmental security in the academic circles.

Very much simplifying matters, one can say that the USA and Europe represent two different approaches to the field of research. The majority of researchers in the USA are more interested in studying the connection between violent conflicts, environmental problems and resource management in developing countries as a part of the US national security framework. The mainstream of research in the EU, on the other hand, is not only interested in violent conflicts, but also in their broader security impacts.

The EDSP Group (2003) elaborates on the basic assumptions regarding the environment, natural resources and conflicts. According to the Group, threats to livelihoods are leading to inequality, resource scarcity and marginalisation. Unequal distribution of, and access to, scarce natural resources threatens livelihoods among underprivileged groups. This scarcity may lead to violent reactions. Intervening variables could be involved in determining whether such scarcity contributes to violence. Key intervening variables include the level of state capacity and legitimacy, the adaptability of social groups, the level of relative deprivation, the role of grievance mobilisers and conflict entrepreneurs, and the role of the international community, as well as issues of governance. These factors rule the reactions and opportunities of underprivileged groups. They can be used as an entry point for donor activities in order to reduce tensions, to identify institutions that serve as the agents of change, and to avoid the outbreak of violent conflicts.

According to the EDSP Group (2003), the structure of resource conflicts arises either from resource scarcity or from resource abundance. Resource conflicts either emerge from competition over access to natural resources and the marginalisation of social groups dependant on natural resources, or else they arise when natural resources are directly used to finance corrupt governments and insurgent groups. Resource dependency is increased if industrially exploited and traditional livelihoods are imbalanced. Resources such as crude oil, timber or strategic minerals often correlate with corruption and poverty, as well as with poor integration with other sectors of the economy. Heavy dependence on these resources by the state can lead to their unsustainable use, and to violence by the state against local communities. To speak only of greed-induced resource conflicts is clearly to overlook a socio-structural problem. The structure of the economy, access to resources and the distribution of wealth are more critical to understanding the link between natural resources and conflicts than

are psychological variables such as greed. The Ogoni case, in which an ethnic minority with huge oil resources rose up against the Nigerian state and multinational oil companies, illustrates the social underpinnings of resource conflicts.

The EDSP Group (2003) stresses that mobilising awareness and international attention is important. The role of donors is crucial in supporting people adversely affected by particular linkages. Donor activities can assist in mobilising international opinion to support vulnerable groups, and in helping them to develop their own capacity to overcome their vulnerability.

Although there are disagreements regarding the concept's definition, a comprehensive approach to environmental security has achieved a certain acceptance, at least in Europe. Such a comprehensive approach recognises the complexity of the topic and its many relationships linking development and conflicts. According to Bart Klem (2003), there are four different links between violent conflicts and development that have been subjects of discussion in the environmental security debate:

1) "The conflict potential of development." Klem argues that development inevitably causes conflicts because of its natural role in changing societal structures, but this does not mean that the conflicts will always escalate into violent conflicts. Thus the conflicts should always be solvable by peaceful means.

2) "The adverse effects of conflict on development." According to Klem, violent conflicts have destructive effects on development due to physical and psychological traumas and the economy of war.

3) "The complicating influence of conflicts on development cooperation." Klem maintains that in conflict situations aid agencies have only limited space in which to operate in terms of staff security, logistics and long term planning. There has been a gap between pure development and pure relief cooperation. Future cooperation should include both humanitarian aid and developmental initiatives.

4) "The potential of international cooperation to support either peace or conflict." Klem asserts that every aid agency has to take into account the conflict-generating side effects of aid, and also to design actions and assistance to promote peace.

Klem emphasises that all the above-mentioned links between development and conflict also have environmental dimensions. For example, illegal trade in, and exploitation of, high-priced natural resources such as diamonds and oil sustain violence in war areas, while land rights and entitlements to forest areas provoke tensions between population groups. The latter also affect aid agencies dealing with resettlement and internally displaced persons, as seen in Kosovo (see section 5, below).

Klem also presents the common argument that although these links between development and conflict are globally recognised, not everyone is eager to turn ideas into practice. This essay, however, considers the ideas in the context of Finnish civil-military cooperation, particularly in Kosovo. Reflecting those historical and ideological ideas in such a case study can illuminate new approaches to developmental and security agendas.

3. Climate change and conflicts

The number of people killed in the flooding which followed the hurricane Jeanne in Haiti is over 1,500. "We have a lot of problems with distribution of aid and we have security problems," said the Haitian Justice Minister Bernard Gousse. The UN peacekeepers in the flood-ravaged Haitian city of Gonaives have fired into the air to stop hungry people grabbing food from aid trucks. (BBC www-news, 2004)

There is an increasing amount of scientific evidence to back up the claim that human actions have triggered global climate change during the past decades. Changes are affecting the conditions that are essential for the production of sufficient food, fresh water supplies, living space and other vital ecosystem benefits.

The first official avowal of the seriousness of climate change was made when the UN's Framework Convention on Climate Change (UNFCCC) was established in the 1992 Conference on Environment and Development in Rio de Janeiro. The Convention on Climate Change took effect in 1994, and aimed at stabilising greenhouse gases at a level harmless to man and nature. The agreement provides a framework for future negotiations, in which action to be taken will be decided in more detail, but it also includes some preliminary tasks for the signatory nations. For example, the contracting parties have to produce regular greenhouse gas inventories, and climate change has to be taken into account in activities concerning agriculture, transport, power production, the usage of natural resources and the usage of coastal areas. Up to now the UNFCCC has been ratified by nearly 190 nations. Finland ratified the convention in May 1994.

Even though there is much agreement on the need for a reduction of emissions, climate change is going to continue. It clearly has global impacts on ecological and social systems, and these impacts should be confronted by creating strategies at national and international levels.

3.1 The impacts of climate change

Based on case studies on the impacts of climate change on small island developing states (SIDS), and projected climate change impacts on Mexico, Bangladesh, Egypt and the Mediterranean Region, which all are affected by the natural and social impacts of climate change, the German report on Climate Change and Conflict (2002) summarises the links between climate change impacts, environmental stress and conflict. The relationship between climate change and conflicts is complex and does not pose a direct military threat nor is it resolved by traditional military means. The impacts of climate change will, in association with other factors, become a potential cause of conflicts by contributing to environmental stress, and will pose severe challenges for countries suffering from rising sea levels in delta areas and for those suffering from rising temperatures and declining rainfalls in arid- and semi-arid regions. In addition, climate change may, in association with other factors, become a major threat to human security by challenging human survival. Climate change may contribute to the escalation of social, ethnic and religious tensions, which may in turn result in riots or long-lasting domestic civil violence. It may also contribute to bilateral or regional conflicts when combined with disputes about scarce resources. Climate change may increase the level of urbanisation and migration. It may thus create tension between the north and south due to migrants and their treatment.

According to a report by the European Environmental Agency, "Impacts of Europe's Changing Climate" (2004), the effects of global climate change can also be seen in Europe. The concentration of carbon dioxide in the lower atmosphere is now at its highest level in the last 500,000 years. Mean temperatures are rising and precipitation has increased in central and northern Europe. Southern and south-eastern parts of Europe have, on the contrary, become drier. This pattern is predicted to continue. Occurrences of extreme weather (droughts, heatwaves and floods) have increased and the number of days of frost have decreased. Glaciers, snow cover and Arctic Sea cover have been retreating significantly, and the changes are continuing.

Climate change causes a continuous rise of the sea level, an increase in the sea surface temperature, and changes in marine reproduction and species composition. Species diversity has increased in north-western Europe with the northward spread of plant species, but other parts of Europe suffer from reduced biodiversity. The rise in winter temperatures in Europe has increased the number of bird species staying through the winter. There will be a change in water availability in Europe during the coming decades because annual river discharge is expected to decline greatly in southern and south-eastern Europe and increase in northern and north-eastern Europe. Floods are likely to become more frequent due to climate change and will thus pose a great threat to human settlements.

Agriculture may benefit from increased carbon dioxide concentrations and rising temperatures, particularly in central and northern Europe. However, rising temperatures increase plants' requirements for water. Extreme weather conditions and climate changes have already resulted in floods, storms, droughts and heatwaves, and caused damage to industry, infrastructure and private households as well as increased mortality.

Case Study: Climate change links to conflicts

Climate change not only has direct ecological impacts, but also significant social and political consequences. As a result of impaired living conditions (soil erosion, water shortage, rising sea levels and extreme weather conditions causing droughts, storms and floods), climate change is a major cause of the increasing number of environmental refugees. According to the Climate Change and Conflict Report (2002), published by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, the number of environmental refugees is estimated to be 25 million per year and this number is rising. The report asserts that there is a potential for severe conflicts due to environmental refugees from poor countries looking for new living environments in (already overpopulated) neighbouring countries or in industrialised countries. Some conflicts may be related to habitable land and natural resources, such as fresh water.

The linkage between climate change, environmental stress and conflict potential is the main reason why these themes should be included in the agendas of sustainable development and security. Climate change impacts will not be the only, or the main, causes of future conflicts and crises, but they are likely to cause environmental stress. The combination of environmental stress with social and economic factors make the impacts a potential cause of future conflicts which can, according to the report, have outcomes such as: i) natural and manmade hazards and disasters, ii) distress migration, internally displaced persons and environment refugees, and iii) severe societal, economic and political crises. Moreover, some of the impacts may escalate to iv) violent conflicts, which may be avoided by efforts for v) conflict resolution or prevention by the initiation of a process of de-escalation.

4. Shared natural resources: Water for peace or water wars?

"Many wars are fought over natural resources, which are becoming increasingly scarce across the earth. If we did a better job of managing our resources sustainably, conflicts over them would be reduced. Protecting the global environment is directly related to securing peace." (Prof. Wangari Maathai, Nobel Peace Prize Laureate, Kenyan Deputy Environment Minister, founder of the Green Belt Movement, 2004)

Decisions made in one place along a watercourse will have an impact on, and be affected by, water use in another place, possibly far away in a different country. Water is also an integral part of ecosystems, and water managers have to consider not only the resource's relationship with the natural hydrological cycle, but also its complex

interdependencies with other components of the freshwater ecosystem (soil, air, fauna, flora). Water availability is often highly variable and uncertain. Conflicts which may arise about water range from civil disobedience to acts of sabotage and from violent protests to violent conflicts between states.

There is, however, very little historical evidence to support the widely-held concern regarding "water wars" between states. An analysis of more than 1,800 international water-related events over the last 50 years reveals that two thirds of them were cooperative events, and the vast majority of non-cooperative ones involved only verbal arguments.

Nevertheless, cases of water-related decisions in one country affecting another country are common. Typically, tensions in water-related issues arise between users upstream and users downstream. For example, India and Bangladesh fear that forest logging in the Nepalese Himalayas will cause floods in downstream areas. In another part of the world, dams in the South African part of the Incomati river basin reduced fresh water flows into the Incomati estuary in Mozambique and led to increased salt levels. This altered the estuary's ecosystem and led to the disappearance of salt-intolerant flora and fauna crucial for people's livelihoods. And, in Africa again, short-sighted water flow management geared towards the maximal filling of reservoirs in the upper courses of rivers in South Africa and Zimbabwe greatly increased flood damage during the catastrophic floods in Mozambique in the late 1990s.

Case Study: Cooperation on the Jordan River

Common management of the Jordan River's water resources has continued, although collaboration between the states involved has been very troubled in other fields. The Jordan River is a vital resource for Israel, Palestine and Jordan, All three are dependent on each other when it comes to the administration of its water and the parties continue to cooperate on water management. Aquifers in the region flow from the Palestinian areas to Israel, making Israel dependent on the Palestinians not polluting or drawing too much ground water. Similarly, there is an aquifer south of Tel Aviv that flows from Israel to Palestine, so in this area dependence is the other way round. This has led to cooperation on water issues, in spite of the difficulties in other areas of collaboration (Jägerskog 2003). Furthermore, Friends of the Earth have achieved good results with their community-based "Good Water Makes Good Neighbours" Programme, which works on people-to-people and expert-to-expert levels.

Case Study: What happens in Okavango?

Botswana claims that the river waters of the cross-border Okavango River in south-western Africa sustain the unique ecosystem of the Okavango Delta. The vast wetland area of the delta in Botswana receives water that originates in the Angolan mountains and passes through Namibia and the desert to the Okavango Delta. It provides a remarkable amount of foreign exchange for Botswana from safari-tourist incomes. The Delta is also an area of cattle herders and the indigenous San people. Namibia wants to use Okavango water for irrigation, and possibly to channel some of the water to its thirsty capital Windhoek. The situation is very complex, including political ambitions in all the countries involved and the rights of indigenous peoples and historically disadvantaged poor farmers, as well as the objectives of local and international NGOs. Moreover, the media have published abundant alarmist reports on the issue. Both Namibia and Botswana are signatories to several international agreements under which they have so far been able to control the tensions. However, the dispute is still far from being conclusively resolved.

The conflicts and crises surrounding water issues are not always international disputes but often occur within individual states, and in such cases they may well be less visible. At the end of the 1990s, for example, ethnic groups around the Senegal River were engaged in a violent conflict to gain control over fertile soils with irrigation. Another example is the case of the tanning industry in the Palar Basin of Tamil Nandu in India, which makes water within the Basin unfit for irrigation and consumption. Pollution by the industry contributed to an acute drinking water crisis, which led to protests by local community and activist organisations, as well as to disputes and litigation between tanners and farmers.

Despite the examples of successful conflict avoidance in international water issues, the actual overall environmental situation might not have been improved through cooperation, because of attention being focused only on easing the tensions between the riparian countries. The resolution of international water allocation problems has often occurred without the addressing of the root causes of scarcity, such as environmental degradation or water pollution (EDSP 2003).

Annika Kramer states in "Water and Conflict" (2004) that the ultimate reason behind water conflicts is seldom lack of water, but is most often poor management that leads to problems. She lists structural causes of water-related conflicts as being:

i. Limited institutional and social capacity. If resources are not managed properly, tensions over water access are likely to arise.
ii. Lack of data and information sharing. Downstream water managers need hydrological and meteorological data, and the lack of common database can cause tensions.
iii. Fragmented responsibilities and contradictory management systems. Water-related decisions are often made in separate institutions, which are responsible

for a plethora of issues with competing claims, including agriculture, fisheries, water supply, regional development, tourism, transport, energy, the environment, etc.

iv. Insufficient transparency and public participation. Public protests are likely to arise when water allocations are suspected to result from diversion of public resources for private gain, or when water use rights are assigned in a secretive (and possibly corrupt) manner.

v. Unequal distribution of water resources and benefits. For example, in South Africa the apartheid regime allocated water mainly to the white minority.

International river basin commissions that include representatives from all the riparian states have proved to be successful. This method of dispute resolution often involves protracted commitment by donors and good donor collaboration. For example, the Ramsar Convention for Wetlands has been working successfully on water issues and easing national and international tensions. To continue this important work, increased donor support for its peace-building activities is needed.

5. Environmental security and challenges for future peacekeeping

"Poverty, environmental degradation, and despair are destroyers of people, of societies, of nations." (U.S. Secretary of State Colin Powell, 2002)

Environmental security has normally been a minor issue in discussing grave security problems such as terrorism and civil conflicts. Even though environmental issues are not necessarily a direct cause of open conflicts, they nevertheless have the potential to destabilise regimes, displace populations and lead to the collapse of states. One of the growing problems linked to both environment and security is global climate change (see Case Study, section 3.2 above), which forces military peacekeeping forces to help aid organisations, for example in dealing with massive environmental refugee movements (in food and water distribution, guaranteeing personnel security, and so on).

The United Nations and its specialised agencies possess the greatest experience of civil crisis management. The UN Report of the Panel on United Nations Peace Operations, also known as the Brahim Report (2000), emphasises a complementary approach to peace operations so that civil crisis management and military crisis management would interact more in the future. This will influence the requirements for both civil and military crisis management in every member country. In practice it means that there has to be effective interaction between military organisations and civil organisations. This aim will determine the prerequisites for the design and coordination of cooperation at national levels as well as internationally.

Peacekeeping in crisis areas is definitely no longer only about military action. Nowadays, peacekeeping means civil-military cooperation and it is a very important part of peace-building. Peace-building is relatively new concept, occurring after the conflict has ended and incorporating all the actions that are being taken to support peaceful development in the region. These actions can include, for example, the integration of the separate sides of the conflict into the social system, the support and guidance of the legal system and civil administration, the monitoring of human rights and the putting forward of solutions for solving the conflict. Peace-building also involves essential specific programmes related to, for example, health (HIV/AIDS programmes), corruption and illicit trade, violence, and armaments (weapons reduction programmes).

One should also consider how the environment could be a starting point for civil-military cooperation in constructing a sustainable peace. The sustainable and peaceful development of political, cultural, social, religious and economic systems requires a secure environment and environmental equity.

The Case Study about Kosovo that follows presents experience from civil-military cooperation in Kosovo. The material is based on interviews with Finnish Civil-Military Cooperation (CIMIC) officers in Kosovo in November, 2002. The study explores how the environment is used as a tool in civil-military cooperation. The military presence is naturally expected to come to an end as soon as possible. However, there is an opportunity to plant the seeds of long-term environmental cooperation already during the military peacekeeping phase.

Case Study: Kosovo

The definition of CIMIC varies with the nations concerned. Moreover, the activities included in CIMIC vary from one nation to another and are dependent, for example, on the amount of finance that governments provide for their own CIMIC work. Furthermore, political agendas influence CIMIC work and its financing: different countries may have different aims in peacekeeping, and the question arises as to how national security and development actions are to be coordinated between the different countries participating in the peace operations.

Finnish CIMIC work has also included participation in actual construction work, despite the moderate funding for Finnish CIMIC work as a whole. Finnish CIMIC work emphasises multinational projects, which are more local-labour-intensive, such as multi-ethnic summer camps for children, days with special events, and sports competitions.

In 1999, a United Nations Environmental Programme team, led by a former Finnish Minister of the Environment, Mr Pekka Haavisto, investigated the environmental impacts of the Kosovo conflict. Severe environmental problems exist in the region, but they were not reflected in the project experience of the Finnish CIMIC officers, even though the latter frequently mentioned the state of the environment. "Kosovo has two big landfills: the right-hand side of the road, and the left-hand side!" as one of the officers who was interviewed put it. CIMIC projects related to the environment were merely cosmetic,

as when, for example, the CIMIC office organised a clean-up campaign to spur local people to collect garbage from the roadsides. Even though there were only minor environmental projects in progress the CIMIC officers were aware of the problems.

Moreover, none of the NGOs and international organisations with which the Finnish Battalion cooperated had any current environmental projects. The Finnish Battalion had profound knowledge of the environmental conditions in the region, which could have been utilised for the benefit of the local people. The Battalion's Protection Officer is responsible for material management and environmental safety. The Protection Officer also has a good idea of the main environmental risks and threats in the area. The Battalion maps out environmental threats in order to ensure the personal safety of the troops. In Kosovo it is easy to come across substances that are hazardous for the environment and for health.

Some peacekeeping nations have included environmental issues in their CIMIC projects. No success stories have emerged, however, mainly due to problems arising from multi-nationalism and the geographically divided areas of responsibility. For example, one nation may want to repair the electricity lines in its area of command, while another nation in an adjoining area wants to repair the sewage system. The dangling electricity lines and leaking sewage pipes at the border between the areas of command are the visible results of uncoordinated work.

6. Policy recommendations and themes for discussion

6.1 Climate change strategies and sustainable peace

When adapting to global environmental changes linked to conflicts, there is a need for strategies and action at regional, national and local levels. This does not, however, lessen the need to mitigate climate change, which is possible only through international cooperation, support for adaptive capabilities and massive technological transfer. The concept of sustainable peace is necessary in order to assist the countries most affected by the effects of environmental change.

Conflict avoidance in natural resource issues

There are many links between the sharing of natural resources and the occurrence of conflicts, and conflicting interests seem to be inherent in natural resource management. Most disputes are resolved peacefully and cooperatively, however, even if the negotiation process is lengthy. Several lessons have been learned from past experience:

i.   The need to improve transparency and information for and about stakeholders. It is essential to identify all relevant stakeholders and their positions, and they also need to be consulted, not just informed.

ii. The need to build capacity for integrated natural resource management and conflict prevention. This may include staff training, technical assistance and

institutional support to achieve the capacity to generate and analyse data for the formulation of management plans, for improving technical infrastructure and human administrative capacity, and for capacity building in conflict management techniques and in participatory methods.

iii. The need to generate and share data and information. Reliable data protects stakeholders from being defrauded, and jointly generated data builds confidence between parties.

iv. The need to adopt measures to transform disputes and increase confidence. This could include, for example, joint training or joint fact-finding. Adopting the services of a neutral third party for facilitating the conflict resolution is often helpful.

v. The need to establish cooperative management mechanisms. Negotiation partners must be given the means to act as equal partners (information, trained staff, and financial support), a joint forum for negotiations is needed, and win-win solutions should be sought.

vi. The need to integrate conflict impact assessments and resource assessments. It is possible that donor-supported projects are too simplistic, concentrating on some particular type of resource use and ignoring some groups of users.

6.2 The environment and civil-military cooperation

According to Klem and Hilderink (2003): "Environmental initiatives may represent a relatively safe entry point to start working on peace and conflict, because they may implicitly bridge social divisions caused by conflict. Soil conservation, irrigation and forestry may be areas of common interest that are not so violence-prone as certain political or economic issues."

Peacekeeping forces often have good knowledge of the environmental state of their command area, as in Kosovo. In most cases, however, the information is not regularly used in the civil-military cooperation. This knowledge could be used as a basis for extensive cooperation between military peacekeeping troops, international and/or non-governmental organisations and the local administration. International and national coordination is essential: environmental approaches are holistic and need to be well planned beforehand. On the national level, this means cooperation between the civilian, military and governmental stakeholders.

A unified register of experts, including different experts from all the various fields including the environment, would be very useful. The register should naturally include experts who have previous experience of civilian crisis management, but it should also include scientific researchers. It is important to pay attention to NGOs and their fields of specialisation, because they have their own "human brain potential" in their personnel registers. It is very important that there should not be separate registers for

different ministries, but that the united registry would be available for all. Cooperation between different ministries should also be stressed, such as cooperation between the Ministry of Defence, the Ministry for Foreign Affairs and the Ministry of the Interior. The positive effects of this networking include a cooperation that remains flexible and changes according to specific needs. It should be obligatory to include experts from civilian sectors, such as the environment, in civil-military cooperation training programs for peacekeeping forces.

Training for civilian cooperation should be more and more internationalised, so that military experts and civilian experts from different countries and fields could meet and discuss the nature of future peacekeeping operations and the role of CIMIC in operations. Furthermore, representatives responsible for the finances of national CIMIC activities should take part in these meetings so that the different national interests in CIMIC would be expressed and the work of assimilating those interests could begin. The CIMIC perspective should be directed towards more holistic and larger-scale actions. These can be seen as peace-supporting and society-constructing components, integrating environmental initiatives as an entry point for work on peace and conflict resolution. It is important to first create a systematic and uniform model at the national level. Only then will it be possible to stress the Finnish interpretation of CIMIC in international cooperation.

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Useful internet sites:

http://www.edcnews.se/ contains net pages to disseminate and discuss research and case studies on environment & development challenges. Particular attention is paid to human rights and gender aspects of these issues, and the policy challenges posed by risks of conflict and humanitarian disasters.

http://www.swisspeace.org/koff/whoiswho_info.asp?NGO=62 and http://www.swisspeace.org/ contains ENCOP, ECOMAN and ECONILE

http://www.eea.eu.int/ European Environment Agency

http://www.nato.int/ccms/general/coul-report.htm contains NATO-CCMS Achievements in Defence-Related Environmental Studies 1980–2001

http://oregonstate.edu/ Oregon State University

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http://www.edcnews.se/Research/Homer-DixonProjects.html Toronto School (Thomas Homer-Dixon)

http://www.prio.no/ The International Peace Research Institute, Oslo

http://www.unep.org/ United Nations Environmental Programme

http://www.worldbank.org/ World Bank

7. "Bad girls" or "Abused slaves"?

Debates around Trafficking in Women

Satu Lassila, Venla Pärssinen and Katariina Sario

1. Key elements of trafficking

Over the last decade, trafficking in human beings has become a major concern throughout the world.[1] Due to its transnational nature, trafficking impacts virtually every country on some level. Most known cases of trafficking are connected with the sex sector and sexual exploitation, but human beings are also being trafficked for the informal labour market, the commercial marriage market, the removal of organs, adoption, and so forth.

The purpose of this article is to provide an overview of the key aspects of the debates concerning trafficking in women. We shall look at the problems related to the definition of trafficking and its linkages to prostitution, highlight the major international frameworks regulating trafficking, analyse the possible causes of the phenomenon through case studies related to Thailand and Finland, and then, based on this review, suggest some ways forward. Our main argument is that trafficking in women is closely related to deterioration in the economic situation of women and their increased economic vulnerability. Purely legislative anti-trafficking measures are

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[1]   We wish to thank Dr. Kevät Nousiainen and Dr. Elina Penttinen for their insightful comments on this article.

therefore not enough by themselves to improve the situation. The main focus of action should be on development and on the implementation of macro-economic policies that pay adequate attention to female poverty, income generation and employment creation.

It is difficult to provide estimates of the scale of trafficking with any precision because of its illegal and clandestine nature. The lack of unambiguous definition of trafficking adds to the problem. Statistics about trafficking vary widely and are frequently unreliable, seldom indicating the methods by which the data were gathered. Consequently, any analysis of the magnitude of trafficking is inevitably based on "guestimates". According to the US Department of State's 2004 Trafficking in Persons Report, between 600,000 and 900,000 people are trafficked across international borders annually. In addition, millions of people around the world live in situations of forced labour and commercial sexual exploitation.[2] The United National Population Fund suggests that between 700,000 and two million women are trafficked across international borders annually. The U.S. Government estimates that over one half of all victims trafficked internationally are trafficked for sexual exploitation. Adding the figures for domestic trafficking would bring the total much higher, to perhaps four million persons per year. Women also travel as entertainers, strippers and dancers, and as such may not be accounted for at all. One woman may also be trafficked several times and into several countries.

Contrary to common assumptions, human trafficking flows are not solely from Asia, Africa and South-America to Europe. Currently, both demand and supply are solidly established in Europe. Trafficking is not a stable phenomenon, because trafficking flows take changing circumstances into account, which alters trafficking patterns at local and international levels. Many countries in Europe have become major sources of trafficking networks over the last decade, due to the conflicts in the Balkans and the fall of the Soviet Union. According to Amnesty International, Kosovo has become a major destination country for trafficking in women and child prostitution since the deployment of the KFOR international peacekeeping force and the establishment of a United Nations civilian administration (UNMIK) in June 1999. The speed at which the phenomena developed took the authorities by surprise. Women were mainly trafficked to Kosovo from Moldova, Bulgaria, Ukraine and Romania, the majority of them via Serbia. All these countries suffer from social and political insecurity, poverty and lack of possibilities of female employment.

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[2] Trafficking in Persons Report, June 2004. U.S. Department of State in http://www.state.gov/g/tip/rls/tiprpt/2004/34021.htm 25.10.2004

1.1 The main causes of trafficking

Trafficking in human beings is a complicated phenomenon, with a number of potential factors contributing to increased global trafficking. Extreme situations, such as armed conflicts, natural disasters or sudden structural changes where people's lives are severely disordered and social structures collapse, increase the risks of trafficking. Globalisation and ICT technology may also facilitate trafficking by making movements of people, information, capital and business easier and faster than before. The root causes of trafficking, however, are usually related to economic and social conditions in the countries of origin.

Both men and women may be victims of trafficking, but the primary victims worldwide are women and girls. Feminisation of poverty and lack of legal labour migration opportunities have increased the vulnerability of women to becoming victims of trafficking as there tends to be a strong outflow of women from areas with limited employment opportunities and increased economic marginalisation. Yet, trafficking phenomena are not only related to the abuse and exploitation of people moving away from difficult economic situations, but also to people's economic dreams and desires, now fueled by global images of wealth and modernity.

Trafficking can also be considered from the perspective of supply and demand, which includes the factors leading people into the hands of traffickers and those that generate a demand for the victims. Here again Kosovo serves as an example. Conditions conducive to trafficking, including small-scale prostitution, existed in Kosovo already before the trafficking flows actually started. However, it was the arrival of the international forces that created a well-paying demand and fuelled the trafficking situation into a full flow.

A report by the British Home Office notes that demand for trafficked women tends to be strong in countries with an organised sex industry able to absorb them and to be served from the countries with an indigenous sex industry. Sex is a big and well-entrenched business that contributes substantially to employment and national income in the countries that are heavily involved. The power of the international sex industry to affect the lives of the individuals, and even to shape the whole macro-economic situation in a given country, has become evident only recently. The economic importance of commercial sex for South-East Asian countries has grown to the extent that some researchers have proposed the recognition of the "sex sector" as a significant component of many economies.

The UN estimates that trafficking produces a profit of 5–7 billion dollars annually for criminal organisations. The growth and increased involvement of organised crime in trafficking in people has also contributed to the growth of the trafficking problem. In this context, it is interesting to note that despite trafficking in human beings

constituting a grave violation of human rights, trafficking in people is an activity of lesser risk to criminals than trafficking drugs. This is illustrated by the fact that maximum sentences in most trafficking cases are seldom as long for trafficking people as for trafficking drugs. Potentially lower costs and higher profits have acted as powerful incentives for organised crime networks. Currently the UN ranks trafficking in human beings as one of the top three sources of revenue for organised crime, following only trafficking in narcotics and arms.

Recruitment for trafficking can be carried out by various means, including employment, travel and marriage agencies, various kinds of entertainment companies, and, in the case of children, bogus adoption companies. Another typical means of recruitment is the use of newspaper advertisements, offering well-paid jobs as waitresses or other non-sex-related work abroad. In some cases, women are forced into it through the use of violence and sexual harassment. Women and girls may sometimes, but not always, be misled with regard to the nature and conditions of the work or the destination country, or they may simply not be aware of the risks involved.

The countries involved in trafficking fall into three different categories that are sometimes separate but often interlinked and overlapping: the countries of origin, transit and destination. Despite the distinctiveness of the categories, the reality is much more complicated. Neighbouring countries may be engaged in trafficking in both directions across a common border, or the original country of origin may become that of destination, such as Kosovo. The country of destination may also be a transit country, such as Finland. Another example is Thailand, which falls into all three categories, being simultaneously a country of origin, transit and destination.

1.2 Trafficking and prostitution

A major debate with regard to trafficking is the discussion concerning its proper definition and the linkages between trafficking and prostitution. This debate involves arguments over forced and voluntary prostitution, including issues about being "forced to choose". It is also related to the discussion as to whether prostitution means the prostitute selling "herself" and "her body", or her being a provider of sexual services. The debate was initiated in the mid-1990s by lobby groups seeking to draw a clear distinction between consensual and forced prostitution. Calling for the decriminalisation and licensing of prostitution, and rejecting the notion that voluntary participation in prostitution could be considered trafficking, they argued that sex work is a legitimate and rational economic decision. According to these groups, women should be free to make choices about how to live their lives, including the choice of entering prostitution. Criminalising prostitution would force it to go underground thereby subjecting already marginalised women to further exploitation.

One of the most internationally well-known scholars is Jo Doezema. In her analysis of the development of the trafficking discourse, she sees trafficking in women as a retelling of the myth of "white slavery" in a modern form. Doezema points out that although the geographical directions of trafficking have changed since the early nineteenth century, the rhetoric accompanying the campaigns remains almost completely the same. This is despite the fact that historians have demonstrated the mythical nature of the 'white slave' paradigm.

"Then as now, the paradigmatic image is that of a young and naive innocent lured or deceived by evil traffickers into a life of sordid horror from which escape is nearly impossible. Similarly, recent research indicates that today's stereotypical 'trafficking victim' bears as little resemblance to women migrating for work in the sex industry as did her historical counterpart, the 'white slave'. The majority of 'trafficking victims' are aware that the jobs offered them are in the sex industry, but are lied to about the conditions they will work under. Yet policies to eradicate trafficking continue to be based on the notion of the 'innocent', unwilling victim, and often combine efforts designed to protect 'innocent' women with those designed to punish 'bad' women: i.e. prostitutes". (Doezema, 2000).

In the opposite camp there are those who argue that women's consent to sex work is meaningless and a definition of trafficking should include all commercial sex work. These advocates represent the position that prostitution is inherently exploitative because even when prostitution would appear to be consensual, the choices involved have been made due to poverty or past abuse. Including the question of consent in the definition of trafficking would help traffickers by giving them a defence against prosecution, while placing the burden of proof on the victim of trafficking by requiring her to show that she did not consent. The question of "consent" should therefore be irrelevant.

The debate on free and forced prostitution has linkages to the unresolved debates on the way contemporary feminist theories conceptualise victimisation and agency as a contradiction in terms. Those who defend prostitution as a free choice see women exercising considerable agency and choice in most circumstances, and thus not being exploited. Others suggest that agency is always exercised in context, which is always more or less constrained by material and other factors. Attention should therefore be paid to the structural barriers that deepen gender inequality and narrow women's options and their space for action.

It is important to explore the definitional dimension because this determines which actions are considered as criminal. If all trafficking and prostitution becomes conceptualised as violence against women and violation of women's human rights, all clients will be defined as exploiters and criminals. Under-inclusive definitions may result in victims being denied adequate and appropriate support whereas an over-

inclusive definition may serve to legitimise heavy-handed law enforcement clean-up campaigns, and result in still more suffering for the victims.

1.3 Trafficking and smuggling

Both trafficking in human beings and the smuggling of migrants are parts of illegal migration. Under the Protocols against the Smuggling of Migrants and Trafficking in Persons, which supplements the UN Convention on Transnational Organised Crime, both trafficking and smuggling have been given legal definitions. Through them, a more or less clear separation between trafficking and smuggling has been established. The definitions are important because the obligations of the state and the rights of the people involved vary according to the protocol to be applied.

The smuggling of migrants is an act of abetting or assisting illegal entry into or through a country or to gain illegal residency in a country. Smuggling ends with the arrival of the migrants at their destination, whereas trafficking involves the exploitation of the victims after arrival, for example in forced labour or prostitution, leading the victims of trafficking to be in greater need of protection and assistance. Smuggled migrants have usually paid for their journey in advance, whereas victims of trafficking may owe the traffickers an imagined sum of money that does not correlate with the real cost of the journey and that the victims are forced to pay back by working in the destination. Smuggling normally takes place with the smuggled person's consent. Victims of trafficking, on the other hand, have never consented, or the consent is regarded as meaningless because of the threat or use of force or coercive, deceptive, fraudulent or abusive actions on the part of the traffickers. According to the interpretative notes to the Trafficking protocol[3], "reference to the abuse of a position of vulnerability is understood to refer to any situation in which the person involved has no real and acceptable alternative but to submit to the abuse involved" (paragraph 63). These circumstances are not elaborated in detail in the interpretative notes.

The essential feature of trafficking that distinguishes it from smuggling, however, is the extent to which people loose control over their situation. In the worst cases of trafficking, victims have been almost completely stripped of their capacity for self-determination. It should also be noted that smuggling is always transnational, whereas trafficking may happen within a country without crossing borders.[4] Smuggling is

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[3] Interpretative Notes (travaux preparatoires) (A/55/383/Add. 1 Addendum) to the trafficking protocol.
[4] See more on the United Nations Office on Drugs and Crime, the UN Global Programme against Trafficking in Human Beings. http://www.unodc.org/unodc/trafficking_human_beings.html 5.12.2004.

therefore primarily considered to be a crime against state sovereignty, whereas trafficking is normally defined as a crime against the trafficked person's human rights[5] .

In reality, the difference between trafficking and smuggling is not so clear-cut. As the victims of trafficking and migrants often travel via the same routes, victims of trafficking can easily be mistaken for illegal migrants and therefore turned back at the border, and/or punished as law-breakers. Sometimes migrants might believe that they involved in a smuggling process when in reality they are being trafficked.

In some cases, the distinctive definition of trafficking and smuggling has led to the undervaluation of the smuggled migrants' need for human rights protection. Moreover, smuggled migrants may fall into exploitative conditions, or become victims of violence, during the smuggling process. The reasons for leaving a home district or country are also very much the same: economic discomfort, socio-economic insecurity, unemployment, persecution, war or conflict. Migrants enter into the smuggling and trafficking processes in the absence of other legal alternatives. Some anti-trafficking measures, such as more restrictive immigration laws and policies in the destination countries, have increased the number of migrants willing to rely on organised smugglers and traffickers, and consequently also increased their chances of falling into the hands of traffickers.

While the Trafficking protocol mandates signatory states to consider granting the victims of trafficking a temporary or permanent residence permit (Trafficking protocol art. 7), smuggled migrants are subject to deportation (Smuggling protocol art. 18). Victims of trafficking are entitled to various types of assistance and protection. The danger here is that since the Smuggling protocol includes fewer obligations to the state, victims are more easily given the status of "smuggled migrant" than that of victim of trafficking. Nevertheless, smuggled migrants are entitled to be treated with dignity until deportation. Like the Trafficking protocol, the Smuggling protocol contains a saving clause, which states that nothing in the protocol is to affect the rights, obligations and responsibilities of states and individuals under international law, including international humanitarian law and human rights law as well as refugee law (art. 19).

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[5]   See for example Commission proposal for a Council framework decision on combating trafficking in human beings (COM/2000/854 final).

1.4 Major international legal frameworks

Attempts to regulate trafficking are not a new phenomenon. Modern concerns with trafficking in women have a historical precedent in the anti-white-slavery campaigns that occurred at the turn of the century. As early as in 1904, thirteen states attended a meeting in Paris to address the issue of the "white slave trade". An International Agreement for the Suppression of White Slave Trade drawn up in the meeting, aimed at combating "the compulsive and abusive procuring of women and girls for immoral purposes abroad". In 1921, the trafficking of boys was included within the convention. Efforts to combat trafficking in human beings continued with the International Convention on the Suppression of the Traffic in Women of Full Age in 1933, the parties to which agreed to punish those who procured prostitutes or ran brothels without regard to whether the victim consented or not.

In 1949, the General Assembly of the United Nations adopted the Convention for the Suppression of the Traffic in Persons and of the Exploitation of the Prostitution of Others. In its preamble, the convention states that "prostitution and the accompanying evil of the traffic in persons for the purpose of prostitution are incompatible with the dignity and worth of the human person and endanger the welfare of the individual, the family and the community". The Convention is based on a prohibitionist approach and seeks to abolish prostitution by targeting and punishing third-party involvement in prostitution. The convention has, however, proved to be ineffective in combating trafficking and also, lacking the necessary human rights approach, in protecting the rights of victims of trafficking.[6]

In 1967, the UN General Assembly adopted the Declaration on the Elimination of Discrimination Against Women, Article 8 of which requires member states to take all appropriate measures "to combat all forms of traffic in women and exploitation of prostitution of women". With regard to trafficking, the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), which was adopted in 1979, adds only little to the earlier 1949 Convention or the Declaration on the Elimination of Discrimination Against Women.

International developments in the form of migration flows, the feminist movement, and the spread of AIDS, child prostitution and sex tourism in the 1980s again increased public interest in trafficking. "Trafficking in women and children" re-appeared on the agendas of the United Nations General Assembly and the Commission for Human Rights, the World Conference on Human Rights in Vienna 1993 and the World

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[6]   See more on Annotated Guide to the Complete UN Trafficking Protocol May 2002 (updated October 2004).

Conference on Women in Beijing 1995.[7] The Vienna Declaration and Program of Action states that trafficking in women is a form of gender-based violence, which is "incompatible with the dignity and worth of the human person, and must be eliminated" (paragraph 18). The 1993 Declaration on the Elimination of Violence Against Women (art. 2), as well as the 1995 Beijing Platform for Action (paragraph 100), also define trafficking in women as a form of gender-based violence.

The Convention on the Rights of the Child, which was adopted in 1989, applies to trafficking in children. In 2000, the UN adopted the Optional Protocol to the United Nations Convention on the Rights of the Child on the Sale of Children, Child Prostitution, and Child Pornography. The ILO Worst Forms of Child Labour Convention, which was adopted in 1999, aims at the prohibition and elimination of the worst forms of child labour.

Since the majority of trafficked persons are migrant workers, the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (adopted in 1990, entered into force in 2003) is relevant with regard to preventing trafficking in migrants for labour exploitation. The Convention constitutes the first comprehensive universal codification of migrants' rights. It seeks to play a role in preventing and eliminating the exploitation of migrant workers, both documented and undocumented, throughout the entire migration process. Finland, for one, has not yet ratified the Convention.[8]

Efforts by the UN to address trafficking in human beings over the last hundred years culminated in the entry into force of the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children on December 25, 2003. The Protocol reflects a compromise in defining trafficking, as it endorses an approach similar to that taken in the 1949 Convention and advocates favouring the regulation of commercial sex work. The definition states:

" 'Trafficking in persons' shall mean the recruitment, transportation, transfer, harbouring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation. Exploitation shall include, at a minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labour or services, slavery or practices similar to slavery, servitude or the removal of organs."

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[7] Derks 2000, p. 6.
[8] See more on the Convention for example in Cholewinski 1997.

According to the protocol, the consent of the trafficked victim to the intended exploitation shall be irrelevant where any of the means set out in the definition have been used, and the recruitment, transportation, transfer, harbouring or receipt of a child (person under 18 years of age) for the purpose of exploitation shall be regarded as trafficking in persons even if this does not involve any of the means set forth above. The definition assumes that adults and children of both sexes can become victims of human trafficking, and that every victim's free will has in some sense been undermined or constrained.

The purpose of the trafficking protocol is "to prevent and combat trafficking in persons, paying particular attention to women and children, to protect and assist the victims of such trafficking, with full respect for their human rights and to promote cooperation among State Parties in order to meet those objectives" (art. 2). The protocol applies to trafficking in persons where that offence is transnational in nature and involves an organised criminal group (art. 4). This provision connects the trafficking protocol to the main convention the purpose of which is to "promote cooperation to prevent and combat transnational organised crime more effectively" (art. 1). The convention obliges state parties to criminalise participation in an organised criminal group (art. 5).

The terms "exploitation of the prostitution of others" or "other forms of sexual exploitation" are not defined in the protocol, allowing individual states to choose whether to regulate or ban prostitution. While the adoption of the Protocol has resolved the definition debate in theory, in practice the discussion has shifted from the international forum to the national level, where it continues over the correct approach to trafficking in domestic laws. Yet few of the states that signed the convention have taken the required legal and political steps and translated it into national law. The lack of harmonisation of national criminal laws remains a major obstacle with regard to inter-state cooperation in combating trafficking.

As the fight against transnational organised crime by governments was one of the main motives for the creation of the trafficking protocol, the protocol is not primarily a human rights document but a law enforcement instrument. Consequently, the language of the protection and assistance provision for the victims of trafficking is comparatively weak and leaves more discretion to the governments in the ratification process.[9] States are, however, obligated to provide adequate support for victims of crimes already under principles of international law. This obligation is also included in the Declaration of Basic Principles of Justice for Victims of Crime and Abuse of Power, which was adopted in 1985.

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[9]   Annotated Guide to the Complete UN Trafficking Protocol May 2002 (updated October 2004).

It can thus be concluded that all the necessary international anti-trafficking instruments actually exist. What is needed is their effective implementation at the national level.[10]

In the following analysis we shall examine trafficking in Thailand and in Finland. The purpose of these case studies is to achieve a better understanding as to how and why human trafficking develops in particular countries. We believe that by examining the trafficking situation in these two countries, despite their significant differences in history, socio-cultural values, geography and political institutions, some common patterns and lessons to be learnt can be identified, and recommendations provided for future action.

Case Study : Thailand – Sex as an economic sector

Thailand is the main destination and transit country in the whole of the Mekong region, and it has the longest history of trafficking in human beings. Trafficking in Thailand is closely related to the country's vast sex industry, which is linked to sex-tourism: currently millions of male tourists each year seek sexual adventures in the country. Prostitution in Thailand can be traced back to the beginning of the 20th century, and the Vietnam war can be seen as a major factor stimulating the development of sex tourism in the region. In the 1960s, the US military and the Thai-government made an agreement that allowed US soldiers in Vietnam to use Thailand for "rest and recreation".[11] Although prostitution is illegal, it is has highly organised structures, and linkages to other types of legitimate economic activity and enterprises such as bars, restaurants, hotels, karaoke bars and beauty parlous. In Thailand's case, the scale of the phenomena, and the related corruption and involvement of the authorities, make the protection of victims very difficult.

Currently, one third of the world's trafficking in women and children takes place within and out of South-East Asia and an estimated 200,000 to 250,000 people are trafficked out of the area every year.[12] It is difficult to determine the exact figures for women and girls involved in sex work in Thailand. A survey by Thailand's Ministry of Public Health recorded 65,000 prostitutes in 1997, of whom Thais accounted for 16 percent and Burmese for up to 90 percent.[13] Unofficial sources, however, suggest a much higher figure, ranging from 800,000 up to two million prostitutes working in Thailand, of whom

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[10] In addition to these international anti-trafficking instruments, the Committee of Ministers of the Council of Europe has established an Ad hoc Committee (CAHTEH), which aims at drawing up a European Convention on action against trafficking in human beings. See more on http://www.coe.int/ T/E/human%5Frights/Trafficking/ 5.12.2004.
[11] Seabrook 1996, p.79.
[12] End Child Exploitation Stop the Traffic! p.13 UNICEF July 2003 in http:// www.endchildexploitation.org.uk/pdf/ct/Uktraffickingreportfinal.pdf 26.10.2004
[13] Trafficking Project UNESCO
http://www.unescobkk.org/culture/trafficking/ev.asp?ev=83&id=89&pr=86 27.10.2004

between 30,000 and 80,000 are estimated to be undocumented migrants, primarily Burmese.[14] According to the UNESCO Trafficking Project, the number of Burmese migrants in Thai brothels is estimated to increase by 10.000 each year.[15] Destination countries for Thai workers include Singapore, Malaysia, Japan, Taiwan, many European countries and North America. Despite the high figures, it should be noted that the majority of Thai women have no involvement with the sex business.

People are trafficked primarily to large sex businesses connected with the mass-tourism, to work as prostitutes and in sex- and entertainment-related establishments. These include the massage, escort and dancing businesses in thousands of Thailand's brothels, restaurants, bars, hotels and beauty parlours and numerous business-related arrangements. Apart from that, women are trafficked out of Thailand as wives, maids, prostitutes and dancers. Thousands of women, men and children are also trafficked for various kinds of construction, farming and sweat-shop work. In 1996, Thailand hosted an estimated 194,180 foreign child labourers. Working on construction sites, and in small shops, factories and homes, some of them are exposed to especially hazardous working conditions. Of the total, 70 percent were boys and 30 percent girls.[16]

Tourism is the most important economic sector in Thailand today and it is strongly supported by the government, as tourism has now become a major source of foreign exchange, exceeding the export of rice and textiles. Tourism generates at least some $3 billion annually, and sex is one of its most valuable sub-sectors, directly or indirectly employing between 800,000 and two million people throughout the country. Brothels are lucrative businesses, which often tie the local officials and authorities into their own activities. Local police, pimps, recruiters, hotel-owners, bartenders and taxi-drivers all benefit from the business.

According to the International Labour Organisation, prostitution in Thailand and Southeast Asia has grown so rapidly during the past years that "sex" as a business has assumed the dimensions of a commercial sector, contributing enormously to employment and national income in the region. In Thailand, remittances from women in the sex industry to their families in rural areas exceed the budgets of the government development programmes. It is estimated that Thai women working in the sex sector in urban centres transfer some USD 300 million annually to rural families[17] . Apart from the prostitutes working in Thailand, there are also thousands of Thai prostitutes working all around the world, sending remittances to their families. In spite of the recent growth of the national economy, prostitution has not decreased, but increased, as the macro-economic policy that has been adopted supports the expansion of the sex sector. There is also a strong connection with other economic policies and rapid urban development.

The informal sector has grown rapidly following the economic crisis in 1997. It currently occupies 72 per cent of the total Thai labour force, and contributes 44 per cent to the GDP[18] . The gender

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[14] No Status: Migration, Trafficking &Exploitation of women in Thailand 2004, p.13 in http:// www.phrusa.org/campaigns/aids/pdf/nostatus.pdf 5.12.2004.

[15] UNESCO Trafficking Project, Thailand in http://www.unescobkk.org/culture/trafficking. 27.10.2004

[16] UNESCO: Trafficking Project, Thailand.

http://www.unescobkk.org/culture/trafficking/ev.asp?ev=83&id=89&pr=86 28.10.2004

[17] Sex as a sector: Economic incentives and hardship fuel growth 1998, p. 3. in http://www.ilo.or/ public/english/bureau/inf/magazine/26/sex.htm. 28.06.2004

[18] Country Paper: Thailand 2004, p. 2 in http://www.unescap.org/stat/meet/wnoe/waisq_thailand.pdf 5.12.2004.

dimensions of the economic crisis were obvious. Firstly, unemployment hit the already impoverished women harder as more female workers were laid off than men. And secondly, it placed an additional burden on women because they had a major role in managing the crisis at the household and community level. Increased unemployment together with sharp price shifts, rising living costs, decline in real wages and serious reductions in public spending particularly affected families who were already poor. During these years of economic and social hardship, many families became indebted to informal moneylenders. Following the economic crisis, the informal sector was the only possibility for thousands of unemployed women. Some of them took up sex work.

There is real inequality in the Mekong region in terms of living conditions and livelihoods, increasing the attractiveness of Thailand as a country of destination. Thailand is surrounded by poor countries, many of them suffering from serious political conflicts either at present or in recent history. The level of income in Thailand is approximately ten times higher than in its closest neighbours. Per capita GDP in Thailand is USD 1,874 whereas in Burma/Myanmar it is USD 162, in Laos USD 326, and in Cambodia USD 278.[19] In addition to low income and lack of employment possibilities, political conflicts and ethnic and gender discrimination in the neighbouring countries have created a massive outflow of people in search of better and safer living conditions.

Most of Thailand's industrial centres are concentrated in the cities, especially in and around Bangkok. The economic transition from agriculture to export-oriented industry, the process of urbanisation, and the simultaneous impoverishment and decline of sources of income in the rural areas have resulted in massive labour migration from the countryside to the main urban areas. This flow from rural to urban areas also involves women and girls and the members of ethnic minorities.

Immigration and refugee policy, and consequently the situation of Burmese refugees, asylum seekers and migrants in Thailand, is a critical contributing factor with regard to the trafficking problem. There are an estimated one million Burmese migrants working in Thailand at the moment. Apart from them, some 4,000 UNHCR-registered refugees and asylum seekers live in Bangkok and other urban centres, and approximately 142,000 refugees shelter in ten different camps along the Thai-Burmese border. The Burmese migration and refugee flows to Thailand are due to repression, persecution, violence, and massive unemployment in Burma/Myanmar after the military junta took over in 1980.[20]

As many of these migrants have very few legal ways to migrate to work in Thailand, they use illegal ways, bribery and criminal or other abusive contacts, and end up in prostitution or labour-intensive industries in the informal sector. For those people who left Burma for economic and political reasons it is difficult, even dangerous, to return to obtain the legal documentation required by the Thai government. They are unlikely to receive authorisation from either of the governments, and are likely to be deported and punished, or practically forced to bribe the police and border officials to avoid more serious threats to their lives. In Thailand, migrants lacking proper documentation are routinely rounded up by the Thai police. After extracting bribes from them, the police release some of the migrants or send them to the Immigration Detention Centre in Bangkok, which invariably means deportation to Burma.[21]

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[19]   ESCAP Population Data Sheet 2004.

[20] Out of Sight, Out of Mind: Thai Policy toward Burmese Refugees Health and HIV/AIDS Risks for Burmese and Hill Tribe Women and Girls 2004, p. 10 in http://www.hrw.org/reports/2004/thailand0204/thailand0204.pdf 5.12.2004.

[21]   ibid. p. 7

In addition to women, migrants and refugees, there are also ethnic minorities, who easily fall in the hands of traffickers due to discrimination. This is especially the case with the hill tribe groups in Thailand's northern and western highlands. At least half of the hill tribe population is without extended citizenship,[22] and so subject to the threat of arrest and deportation. These people cannot own land and are not protected by labour laws. Apart from that, the members of hill tribes are excluded from participating in political processes. Lack of citizenship is the primary factor that increases the hill tribe women's vulnerability to trafficking and other forms of exploitation. In these conditions, women and girls migrating to cities are totally dependent on, and often at the mercy of, their employers. From the perspective of an abusive employer, the members of hill tribes are an attractive option, as they cannot claim any rights or legal status, and consequently may be freely exploited.[23]

The high levels of corruption, involvement of officials and practical impunity are some of the biggest challenges in combating trafficking. There is evidence of police and border authorities' corruptibility and their involvement in the onward trafficking of migrants and refugees in Thailand. Thai brothels often function under the protection of the local police. In many cases, the police are partners of pimps and of the owners of brothels to which vulnerable groups lacking legal status are likely to be driven. The practice of impunity means that none of these officials or authorities (provincial and border police) are punished. The same police who raid the brothels and punish the women are also to be found among the brothels' clients.

Case Study: The rise of organised prostitution

Analysis of the trafficking phenomena in the Finnish context clearly demonstrates the definitional problems related to the issue. In Finland, where trafficking is mostly related to prostitution, the recognition and identification of the victims of trafficking becomes the major issue.

The development of a commercial sex culture in Finland is a fairly new phenomenon and is related to the breakdown of the Soviet Union and the latter's transition to a market economy, the opening of the ex-Soviet Union's borders, and the economic recession in Finland at the beginning of the 1990s. Both the Finnish authorities and ordinary citizens were surprised by the speed and extent of growth of a phenomenon which rapidly became apparent. The first sex bar in Finland was opened in 1992. According to Leskinen, there were just over 500 foreign women working in prostitution at the time in Helsinki, the majority of whom were from Estonia. When the flow of Estonian and Russian prostitutes to Finland began, the activity was not organised, but the women crossed the border and worked independently selling sexual services. Since the mid-1990s, however, prostitution in Finland has been controlled by Estonian and Russian organised crime to the extent that the different gangs have divided Finland into geographical areas of operation. Prostitution in Finland has become ethnicised and is associated with the idea of it being an occupation of Russian women, known as "Eastern Girls" (Penttinen, 2004).

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[22] No Status: Migration, Trafficking &Exploitation of Women in Thailand. Health and HIV/AIDS Risks for Burmese and Hill Tribe Women and Girls 2004, p.27.

[23] No status: Migration, Trafficking & Exploitation of Women in Thailand. Health and HIV/AIDS Risks for Burmese and Hill Tribe Women and Girls 2004, pp. 27, 29.

According to many studies, the majority of the prostitutes coming to Finland have consented to work as prostitutes and are fully aware of the nature of the work. However, according to the trafficking protocol, consent of a victim of human trafficking to the intended exploitation is irrelevant. Even if prostitution does not constitute trafficking as such, the fact is that it is undertaken in a context of exploitation, abuse and control by organised criminal networks. Thus it falls under the definition of trafficking. Prostitution in this case cannot be seen only as an agreement between consenting adults, as individual women cannot be equal negotiating parties with organised crime.

Before their arrival in Finland, the women enter into contracts with the criminal networks. These contracts are binding and usually include at least an agreement as to the period for which the women have to work. The majority of the contracts are made in the country of origin.[24] Women will be punished if the agreement is not followed. The mafia can unilaterally dictate the working conditions and, especially in the case of disagreement, the mafia can pose a threat of serious violence and even death to the victim and/or to the family members. After arrival, women may be – but are not always – kept behind lock and key, their freedom of movement may be restricted up to a point, for example by confiscating their passports or other identity documents and they may face the threat of violence. In Lapland, women are usually transported directly to predetermined destinations.

Debt is the most useful form of control with which the mafia can bind the lives of women for years. Some of the women have taken loans from informal lenders, who may themselves be members of organised crime gangs. Loans are taken either to survive the poor conditions in the country of origin, or to cover the travel expenses and documents required to enter Finland or some other European country. In these circumstances, the mafia will dictate both the amount of the debt and the time of payment, as well as the nature of the work. Prostitution can be the only way to meet the demands for extremely high amounts to be paid in a relatively short periods of time[25].

Recruitment in Estonia and Russia takes place partly through newspaper advertisements and partly through so-called informal contacts. Some of the recruitment takes place through travel agencies, taxi-drivers, or other prostitutes, and even through friends. Most women seem to be fully aware of the kind of work they will have to do. However, they may have been given misleading information with regard to the working conditions and risks involved.

According to most conservative estimates, there are some 5,000 Russian, and 1,000 Estonian women working in Finland, but other studies suggest that some 10,000–15,000 women sell sexual services in Finland annually. Finland is also recognised as a transit country through which people are trafficked at least to Spain, Norway and Sweden.

Organised prostitution is highly profitable in Finland. Women can usually keep half or one third of their earnings for themselves. According to Lehti and Aromaa, net annual earnings for pimps operating in Helsinki are approximately 150,000–300,000 euros. An Estonian prostitute makes about 500 to 1,700 euros in one week of work. In Finland, it is possible to earn in a week the same amount of money that would take six months to earn by normal wages in Estonia. Finland is considered as a tempting country where one can double or even triple one's income in a relatively short period of time. This has resulted in prostitution markets with an excessive supply of women. The recruiters do not need to force

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[24] Personal communication with Sillanpää, Seppo and Eriksson, Kenneth, Helsinki police detectives specialised in human trafficking and prostitution, 10.08.2004.
[25] Personal communication with Sillanpää and Eriksson, 10.08.2004.

women or men to work, and they do not do so, as an individual who has been forced usually poses a bigger risk.[26] Following Estonia's entry into the EU, in May 2004, it has become even easier to travel between Estonia and Finland, and at the same time more difficult to control and recognise the potential victims of trafficking.

Russia's transition to a market economy has resulted in a fall in living standards that has affected women disproportionately. Penttinen points out that unemployment is very much a woman's problem, for structural reasons that also contribute to the overall feminisation of poverty in Russia. The biggest traditional employer of women – the state of Soviet Union – no longer exists. In 2000, the unemployment rate for women in the Murmansk region was as high as 61%. In fact, the majority of the women working as prostitutes in Lapland are not professionals, but women who engage in it temporarily to gain enough money to improve their lives.[27]

The privatisation of national assets in Russia has mostly favoured men because women have received few privatised assets. The process of individualisation of entitlements related to welfare benefits has also put women at a disadvantage. The gender-related wage gap for workers with high education in the Russian Federation was 47–45 percent in 2000, demonstrating that women's returns on education have actually declined. There has also been an increase in women's share of part-time and atypical work arrangements, and of the informal sector. In brief, there has been a radical restructuring of women's political and economic position in Russia compared with their previous position in the Soviet Union.

Trafficking in Finland mostly takes the form of procuring for organised prostitution. Abuse of labour in other sectors is still relatively unknown, and its connection to trafficking even less clear than is the case with prostitution. There have more recently been some cases of labour abuse in Finland,[28] which may also fall into the category of trafficking in human beings. The frequency of such cases has increased in the construction sector in particular, and the Finnish police strongly suspect the involvement of trafficking and organised crime.[29]

The Finnish authorities believe that the majority of migrants and prostitutes have actually entered the country legally, at least in the technical sense that they have the required documents, whether these be genuine or fraudulent.[30] This does not necessarily mean that these people are not victims of trafficking. In case of detection, women are normally deported on the grounds that they are in the country illegally. This practice has many dubious consequences, starting with the fact that the women are marked with the status of being guilty instead of the actual criminals. This further decreases their willingness to cooperate with the police or other authorities, to expose the criminal gangs, or to testify against them. Deportation does not, of course, cure the real problem. The women are also punished by their pimps, and suffer even harsher conditions. They are often sent to work in some other country or a brothel in their country of origin. The same criminals that traffic the women often welcome them back after deportation.

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[26] ibid.

[27] Penttinen 2004, p. 193.

[28] After the establishment of inspector group for illegal migration and labour, summer 2004.

[29] Personal communication with Ranta-aho, Markku, head of unit, specialized in informal labour at the National Bureau of Investigation, 20.08.2004.

[30] Lehti and Aromaa 2003, p. 34.

There are some 24,000 Russians and 11,000 Estonians who live permanently in Finland, and almost all of them have arrived in Finland during the 1990s.[31] A significant part of the trafficking that occurs is organised with the help of Estonian and Russian citizens, but also, most importantly, with the help of Finnish citizens, whose involvement in the process varies from helping to find clients, advertising channels and accommodation to organising transport and being a recruitment link between the prostitute and the representatives of mafia. Organised criminals often use local contacts who already know the culture and the language.[32] Because of its low-risk, high-profit nature, this business attracts "ordinary citizens" with no criminal background as well as petty criminals.

In Finland, the use of well-executed documentation and only marginal indication of corruption prevents the involvement of the authorities, the major deterrent in many other countries in this respect. Mafia members hardly ever visit Finland in person, and direct contacts between the prostitutes and higher-level mafia members are irregular.[33] In general, there is very little reliable information about the operation of criminal networks in Finland.

At the beginning of August 2004, new criminal provisions on trafficking in persons and aggravated trafficking in persons were incorporated into the Finnish Penal Code. The working group that prepared the draft for new criminal law provisions, also proposed that the purchase of sexual services should be established as a criminal offence. The government considered, however, that the question should be postponed until the following year in order to have more information about the results of the application of the new Public Order Act, which criminalises the purchasing of sexual services in a public place. At the same time, Finland is following international developments and especially the drafting process of the European Convention on Action Against Trafficking in Human Beings. The main question, however, is whether Finland will create a provision, which includes the absolute criminalisation of the purchasing of sexual services, or whether criminalisation will be limited to cases where the client has knowingly purchased sexual services from a victim of trafficking.

3. Finding ways forward

3.1 The need to address root causes

Some of the main patterns related to trafficking are similar in Finland and in Thailand, or are common to both countries. It is obvious, however that the scale of the problem in Thailand is completely different from that in Finland, as the Thai sex business plays such a significant economic role and is implicitly supported by legal institutions and the local officials and authorities who benefit from it. Trafficking is a very new phenomenon in Finland. Consequently, effective anti-trafficking action should always be based on a context-specific approach, and it should recognise the diversity of the circumstances where trafficking takes place.

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[31] Lehti and Aromaa 2003, p. 37.
[32] ibid. p. 63
[33] Personal communication with Sillanpää and Eriksson, 10.08.2004

Both in Thailand and Russia, increased female unemployment, the rapid growth of the informal economy, the gender-related wage gap, the lack of social security and women's limited opportunities for legal immigration, together with the booming of the sex industry, have created a favourable environment for trafficking. The emphasis of anti-trafficking measures, therefore, should be put on addressing the root causes, which are economic and structural in nature, not only on trying to deal with the consequences of the problem. As the case studies demonstrate, there is a link between trafficking and the worsening of women's economic situation. In both cases, trafficking is related to the gendered impacts of macro-economic policies or crises, increasing women's economic vulnerability and destroying their capacities for coping. Both cases also involve large regional economic inequalities between countries.

It should be noted that in spite of all the rhetoric, the international development community has not taken effective action to address female poverty in practice. Country-specific Poverty Reduction Strategies (PRSP) provide a good example of the wide gap between intention and practice. The majority of the documents are unable to integrate gender aspects effectively into the analysis, let alone into actual practice. Many of them lack a systematic gender analysis or any approach that sees poverty as a relational process of impoverishment and accumulation.[34] Exploration of how women are affected by poverty is often limited to a discussion of female-headed households and their assumed vulnerability. Very few PRSPs relate structural adjustment measures, like trade liberalisation and privatisation, to gender and as a consequence, "engendered" PRSPs implicitly reinforce unequal gender patterns, resulting in the increased vulnerability of women.

As a remedy, the ILO has suggested that more attention should be paid to the macro-economic policies that may indirectly contribute to the growth of the sex sector. Economic policies that are based on the promotion of tourism, rural-urban migration and export-oriented industrialisation should be assessed also from the point of view human rights, not only from a financial perspective. It is important to acknowledge that the introduction of legal measures to combat trafficking is not sufficient by itself, but has to be complemented with effective efforts to support women's incomes and female job-creation in the countries of origin.

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[34] Whitehead and Lockwood 1999.

3.2 Clear definitions are required

As the case of Finland indicates, it is essential to achieve conceptual clarity concerning the definition of trafficking. Despite the linkages between trafficking and prostitution, trafficking is an independent phenomenon. We suggest acknowledging that these phenomena are inter-related, but treating them as extreme and opposite ends of a continuum, in which prostitution is seen as something more freely and independently chosen, but trafficking as something more forced. The essential aspect of trafficking is, however, the extent to which a person has lost control over his or her own situation or destiny, not his or her consent as such. Third-party involvement usually increases gradually during the process, and the extent of a person's capacity for self-determination correspondingly decreases. In the most aggravated cases, the victims are almost totally stripped of their capacity for self-determination.

The process of moving from more voluntary prostitution can be analysed through various benchmarks and signals, such as the need to pay off large forcibly or unreasonably imposed debts (debt-bondage), being kept against the person's will, being prevented from working or returning home, having travel documents taken away, or being raped, beaten, treated badly or threatened with violence. This also clarifies the line between prostitution and trafficking, as one may choose sex work freely, but cannot consent to enslavement or forced labour of any kind. Whether a trafficked woman was initially willing or unwilling to enter into sex work is irrelevant when the outcome is enslavement or forced servitude.[35] Trafficking should, however, be distinguished from unpleasant, harmful or exploitative working conditions.[36]

Trafficking can occur also without any use of (physical) force. The abuse of a position of vulnerability or of power is enough to fulfil the essential elements of trafficking. Since trafficking in human beings is a complicated phenomenon with a number of relevant factors contributing or promoting it, every case should be treated individually, taking a human rights approach as a starting point for analysis. Dire economic and social conditions,[37] previous prostitution or drug addiction could also be taken into account as relevant factors in criminal proceedings when evaluating the trafficked person's vulnerability

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[35] See also Haynes 2004, p. 230–231.

[36] Draft report of the European Experts Group on Trafficking in Human Beings to be discussed at the Consultative Workshop in the framework of the EU Forum for the Prevention of Organise Crime (Brussels, 26 October 2004), p. 13 in http://europa.eu.int/comm/justice_home/fsj/crime/forum/fsj_crime_forum_en.htm#26-10-04 5.12.2004.

[37] See also Haynes 2004, p. 254–255.

Consequently, we recommend that a clear distinction be made between prostitution and trafficking particularly in criminal law. In principle, trafficking in human beings has to be distinguished from the questions concerning the political or legal approach to prostitution as such.[38] However, countries of destination need to take appropriate legal and other measures, such as education and awareness-raising measures, to decrease the demand for cheap labour as well as the demand for sexual services, both of which have important linkages to the phenomenon of trafficking. Despite the importance of improving sex workers' conditions in countries like Thailand, legalising prostitution may not be an efficient way of combating the trafficking problem. Having a well-organised sex industry and legal prostitution seem to encourage trafficking, not decrease it. The existence of a legal sex business facilitates and increases illegal sex trade, as the sex industry as a whole becomes more visible and increases the demand for illegal services.

One of the most important issues related to the definition and the prevention of trafficking is the identification and recognition of the victim as a victim of trafficking. This applies to all countries and is more easily said than done. It requires the effective dissemination of information on the definition of the trafficking protocol and the training of the authorities and personnel involved. If a woman or girl is deported due to her illegal stay in the country or due to illegally practising prostitution, states are not solving the problem but just passing on a problem which is transnational in nature. Solving the problem requires transnational means.

3.3 Suggestions for anti-trafficking measures

In situations of conflict and of political and economic change, special attention should be paid to the human rights of groups that face multiple discrimination and are already subordinated or discriminated against in a society and therefore easily fall prey to trafficking. These are often women, children and ethnic minorities. The Burmese who stay in Thailand without legal status and the hill tribe groups are clear examples of groups at risk requiring extra protection and support. States are obliged to take adequate measures for the prevention of trafficking, and implement strategies aimed at improving the economic and social position of vulnerable groups. The weakening or collapse of social, political and economic structures does not merely raise the risk of certain discriminated people becoming victims of trafficking. It also significantly reduces the barrier for ordinary people to become involved in many kinds of illicit activities, one of them being trafficking.

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[38] Draft report of the European Experts Group on Trafficking in Human Beings to be discussed at the Consultative Workshop in the framework of the EU Forum for the Prevention of Organise Crime (Brussels, 26 October 2004), p. 13.

The role of the international peacekeeping forces in the creation of demand for prostitution and, as a result, also for trafficking, can be seen in the case of Kosovo, but it is also known from other parts of the world. On some occasions, wars and conflicts have become adventurous, exotic and "extreme sport" trips for soldiers and reporters. International troops need to behave as role models, and such aberrant acts should not be tolerated, but severely punished. The international community should demonstrate zero tolerance for these types of acts. Practical measures should be put in place to monitor the implementation of Security Council Resolution 1325. More women could be recruited as part of the forces, especially at the decision-making level. Gender training should be a part of the training given to UN forces.

The research on trafficking in both Finland and Thailand suffers from many serious gaps. Estimates of the magnitude of the problem are based on "guestimates", as the existing statistics on the topic are unreliable. Having adequate information on which to base interventions is extremely important. According to Foucault, dominating discourses are also forms of power and knowledge that determine actual practices. That is why it is crucial to have multiple perspectives in the debates of trafficking. More participatory research would be useful, focusing on the perspectives of those who have not traditionally been recognised as subjects of these debates, namely the prostitutes and victims of the trafficking themselves.

Trafficking should be primarily viewed as an international threat to human security and national development in the country of origin; only secondarily is it a serious threat to security in the destination countries. All actions against trafficking should therefore be coordinated, first of all at national levels, but also internationally. Individual victims should be at the forefront in discussions about preventative measures in the countries of origin, transit and destination.

Protecting the human rights of trafficked persons should be at the heart of all anti-trafficking measures. Protective measures for victims and their families could include a wide range of different specialised services, including (temporary) residence permits, that address the specific needs of each individual. Although trafficking in women for the purpose of sexual exploitation is the most visible form of trafficking, infrastructure to combat trafficking should be established on the basis of a broad definition of trafficking which takes into account all purposes of exploitation and increases the ability to respond rapidly to possible new forms of trafficking.[39] More attention should be paid to trafficking for the purpose of labour exploitation.

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[39] See OSCE National Referral Mechanisms: Joining Efforts to Protect the Rights of Trafficked Persons. A Practical Handbook, 2004. See also Reference Guide For Anti-trafficking Legislative Review with particular emphasis on South Eastern Europe, OSCE/ODIHR, 2001.

Trafficking, smuggling and migration are separate, but inter-related issues. The majority of the people trafficked are migrant workers. Both the trafficking and the smuggling of people are aspects of migration, the root causes of which lie in economic and social inequalities between countries and regions. If channels for legal migration were created, people would be able to migrate without turning to traffickers or smugglers, and would also be in a better position to defend their labour rights in the destination country.[40] Since the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families plays an important role in preventing trafficking, the ratification of this Convention is one specific area in which action can be taken.

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8. Transnational health threats

Gisela Blumenthal

1. Introduction

Our concept of security is changing. The threats that we perceive today are new or present themselves in new forms. They can be distant or difficult to define, yet they have the ability to cause widespread fear or affect the basic functions of society itself. Phenomena such as illicit drugs or organised crime have become more widespread in most societies, and few people, if any, are completely unaffected by them. The causalities behind such phenomena are often complex and it is impossible for states to handle these threats on their own.

Health has not traditionally been defined as synonymous with security. But even from a historical point of view, there is a clear interdependency between security and health. Security has always had important health dimensions. In periods of crisis, more people become ill and die due to diseases than due to weapons, so maintaining the health of combatants has been an important part of military preparedness.

In the report of the Commission on Human Security, health is seen as a central dimension of human security. The link between health and military security is fairly easy to see. However, the mere absence of war or conflict would not be perceived by most people as constituting a secure situation. In addition to traditional warfare, there are periods of volatile pre- and post conflict conditions that may last a long time. The

increasing fear of biological weapons, radiation or bioterrorism puts health very clearly on the security agenda.

Not all diseases are threats to human security, but globally spreading infectious diseases are particularly illustrative of rapidly emerging threats. Throughout history, diseases such as plague or smallpox have been fearsome killers causing the deaths of hundreds of million people in epidemics. New infective agents can rapidly cause outbreaks in different parts of the world and with such sudden changes in disease patterns, national capacity to cope is reduced. Recent epidemics such as the Ebola virus or the mad cow disease (BSE) are examples of how vulnerable modern societies are. New infectious agents appear constantly, and antibiotic resistance is a complicated and growing challenge in the battle against disease. The anthrax attacks in the US resulted in only a few deaths, but gave rise to widespread fear and insecurity.

Poverty, deprivation and violence are major health threats related to crisis situations and the lack of security. They are clear risk factors with regard to health deterioration, but they also aggravate other health and social problems. Preventable diseases, nutritional deprivation and unsafe births are concentrated amongst poor people, as is lack of clean drinking water and sanitation. Moreover, violence that occurs outside defined conflict situations is also a major public health problem. Gender-based violence undermines security for women worldwide every day.

The concept of human security is prominent in the present security discourse. Human security is a wider concept than military security. It is about protecting people from serious threats and dangers, about keeping people alive. The reasons for insecurity at the individual level often relate to simple daily survival. Security for many people can mean access to basic life-preserving services such as water and sanitation. Human security complements state security and enhances human rights as well as human development. Human security stresses the importance of acting in a preventive fashion, not only because it is more humane, but also because it is more effective in achieving stable solutions.

This paper will focus on HIV/Aids, SARS and avian flu epidemics, which pose enormous challenges for the nations of the world because of the scale of their impact and the speed with which they spread. It is evident that the global community will have to work in a closer partnership to confront these diseases. From a development perspective common surveillance and monitoring systems are critical. But in considering the burden of disease caused by poverty-linked diseases and chronic diseases, other frameworks and policy conclusions than those emanating from the context of infectious diseases have also to be taken into account.

2. Health, development and crisis

Clear progress has been made during the last century with regard to health, but the improvements are very unevenly distributed. The World Health Organisation estimates that more than 40% of the annual 56 million deaths in the world could be prevented. A significant proportion of avoidable deaths are linked to poverty. However, only about 10 % of global investments in health deal with the illnesses that are responsible for 90 % of the global disease burden, the so-called poverty diseases.

For most people, good health is a valuable aim in itself. But it is also a means of achieving human security. According to the WHO, health is not only the absence of disease, but also a state of complete physical, mental and social well-being. Being healthy boosts confidence and increases one's sense of security.

From a health perspective, the protection of security and the prevention of crisis situations depend to a great extent on the ability of the health system to prevent avoidable diseases. Health services aim at reducing risks and vulnerabilities, developing monitoring systems and mitigating the effects of crisis. Conversely, the development of good health and security is enhanced by stability and possibilities for development. Development is necessary to secure access to education, which in turn is a key to promoting health. Good health does not require massive investments, but is based on the development of knowledge and best practices. Health professionals play crucial roles in developing health and knowledge, and promoting good public health and health behaviour.

Crises can by caused by processes that take time, such as the increase in prevalence of a disease, or by sudden catastrophic events. When systems that normally support life break down, people's living conditions become crisis conditions. Survival is threatened because access to water, food or hygiene is inadequate. Many crisis conditions are aggravated by health threats. According to the WHO, more than 50 countries were involved in crisis situations in 2002–2003. Many of the people affected by these situations experienced increased risks to their health.

The role of health systems varies in different stages of conflicts. Health interventions are needed in preparing for crises, to prevent additional complications and to promote recovery. National authorities often need international support for acute aid delivery, but also support for rebuilding processes and longer-term development plans.

This essay presents some examples of security threats with a specific health angle. Experience gained from HIV/Aids, SARS and avian influenza epidemics shows similar patterns in spite of very different backgrounds and evolving mechanisms for coping. Well-functioning health systems constitute a network upon which all health interventions rely. Promotion of public health is essential, and attention must be paid at all stages of conflicts, particularly in the case of communities that are crisis-prone.

3. HIV/Aids: The worst health catastrophe in history?

The UN Security Council defined HIV/Aids as a human security issue and in its resolution 17 July 2000 stated that "the HIV/Aids pandemic is exacerbated by conditions of violence and instability, which increase the risk of exposure to the disease through large movements of people, widespread uncertainty over conditions, and reduced access to medical care. If unchecked, the HIV/Aids pandemic may pose a risk to stability and security."

Perhaps more than any other disease, HIV/Aids has been recognised as having a destabilising effect on states. It is said to be the worst health catastrophe in history and is presently the world's fourth-ranking cause of death. The number of people who have died in the epidemic already exceeds the number of deaths caused by the Black Death in the fourteenth century or the two World Wars in the twentieth century. Adult prevalence rates in many African countries are over 20 %, and young people are struck particularly hard. The epidemic destroys social and economic development and breaks down governance structures

The heaviest burden of HIV/Aids is imposed on the world's poorest countries. It affects the security of individuals, families, societies and nations. On the personal level, sickness and death break up families and leave young people with very little hope for the future. Sickness and spending form a vicious circle, in which ability to work and income decrease while costs related to health-care accelerate. People are often at a productive age when they become ill, and when the breadwinner is taken ill the whole family is affected. Family members have to stay at home to take care of the sick. Children have to leave school and try to cope with heavy duties in agriculture and other forms of income generation. Support is sought from family and community networks, but their capacity to absorb further shocks may be exhausted.

National institutions face serious problems because of absenteeism. It is difficult to replace skilled staff or compensate for the loss of institutional memory. Long-term resources invested in the training of skilled workers and professionals are lost, sectors such as health and education being particularly affected. Hard-won gains in life expectancy and other social advances are reversed. Governments are faced with the difficult prospect of having to increase health budgets quickly while at the same time Aids-related costs take over more and more of public health spending. The orphan crisis related to the epidemic peaks only many years after deaths have accumulated, and additional resources are required for essential prevention programmes, community-based care and assistance for affected households.

Botswana is one of the countries that have been hardest hit by the epidemic. It is estimated that government revenue in Botswana has been reduced by about 7 % while HIV/Aids-related expenditure is increasing by 15 %. Government spending on HIV/

Aids may reach 20 % of the total budget by the end of the decade. Labour shortages and low and unstable productivity threaten economic progress. A number of countries in Sub-Saharan Africa in particular will face situations of increasing labour shortage. Productivity losses cause stagnation or reduction of GNP, and result in a negative balance of trade. Societies' coping mechanisms are quickly exhausted, and public sector planning is even more demanding.

Case Study: Workforce losses due to Aids

In terms of military security, the effects of the HIV/Aids epidemic are becoming ever more prominent. International peacekeeping forces and military personnel are among the groups that are most affected by HIV/Aids. During conflicts, the risk of contracting sexually transmitted infections increases manyfold. Cases have emerged in which peacekeepers have been kept out of countries due to fear that they might serve as vectors for HIV transmission.

The UN Declaration of Commitment on HIV/Aids, signed at the 2001 United Nations Special Session, provided a framework for global response. In addition to securing resources to fight HIV/Aids, countries made a commitment to ensuring the access of young people to information, education and the necessary services. In the past few years, there have been dramatic increases in HIV infection amongst young women. Data from many countries shows that millions of young people are ignorant about basic facts concerning HIV and Aids. Many do not know how HIV is transmitted or how they should protect themselves.

**PERCENTAGE OF WORKFORCE LOST TO AIDS BY 2005 AND 2020
IN SELECTED AFRICAN COUNTRIES**
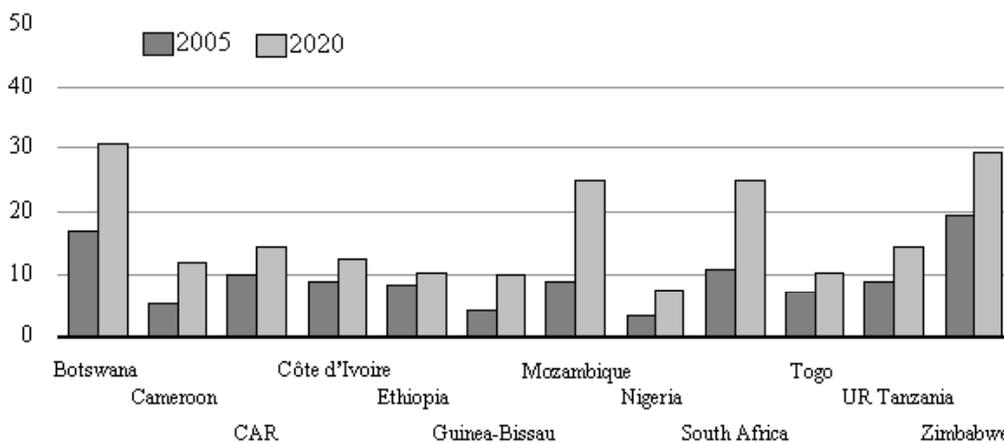
Sources: ILO (2000) POPILO population and labour force projection; UN Department of Economic and Social Affairs, Population Division (1998) *World Population Prospects: the 1998 Revision*

During the past few years, increased resources have been committed to combating HIV/Aids, but projections of the resources that will actually be needed to provide treatment and care are far higher. According to UNAIDS, the HIV/Aids epidemic is still at an early stage of development and its long term evolution is unclear. If prevention efforts are not scaled up, the unmet needs for treatment will not be fulfilled, and will become increasingly impossible to satisfy. In these efforts gender and equity considerations are crucial. The way the development community decides to tackle this issue could have a strong influence on the evolution of the epidemic.

4. SARS and lessons about surveillance

The SARS (Severe Acute Respiratory Syndrome) epidemic began in Southern China in November 2002. A new, unknown type of pneumonia was found in Guangdong province and reported to the Chinese health authorities in January 2003. The symptoms were high fever, coughing and difficulty in breathing. However, the WHO was informed only in February 2003, when the Chinese Ministry of Health had already recorded 305 cases, including 5 deaths.

An important event in the evolution of the epidemic occurred when a Chinese medical doctor from Guangdong, who was already ill, visited Hong Kong and stayed at a hotel there on 21 February 2003. The 64-year-old man was taken to hospital the next day suffering from respiratory difficulties. The infection was transmitted to several other visitors in the same hotel, and through them it spread quickly to Hong Kong, Hanoi, Singapore, Toronto, Ireland and the United States. In a very short time, the epidemic spread from just one hotel to eight countries. Subsequent investigations showed that the elevator area of the hotel had been an important transmission zone.

Another critical location connected with the epidemic was a housing complex in Hong Kong. In mid-March, the housing estate was visited by a man who had SARS symptoms. After that, 213 residents of the same estate were hospitalised with SARS. It was not clear how the transmission occurred, whether by person-to-person contact or through vectors such as cockroaches.

In Canada, the epidemic started when a tourist returned from the Hong Kong hotel mentioned above, and passed the illness to members of his family and also to members of the staff and other patients in the hospital to which he was taken. A total of 100 medical personnel in three hospitals were infected, largely due to undiagnosed SARS patients.

SARS was recognised as a global threat in March 2003, and the WHO issued a global alert for it. International networks of virologists, epidemiologists and other specialists were quickly established and intense research activities started. The virus was found within one month. It was identified as a SARS-associated corona virus, spreading mainly through respiratory droplets in close person-to-person contacts. There are no vaccines or specific drugs against SARS.

REPORTS OF RESPIRATORY INFECTIONS IN WHO GLOBAL SURVEILLANCE NETWORKS 2002–2003

Time	Place	Report
27 November, 2002	Guangdong Province, China	Unofficial report of outbreak of respiratory illness, with the government recommending isolation of anyone with symptoms.
11 February, 2003	Guangdong Province, China	Report from the MOH of an outbreak of atypical pneumonia.
14 February, 2003	Guangdong Province, China	Official confirmation of an outbreak of atypical pneumonia with 305 cases and 5 deaths.
19 February, 2003	Hong Kong SAR, China	Official report of 33-year-old male and 9-year-old son in Hong Kong with avian influenza (H5N1) – source linked to Fujian Province, China.
26 February, 2003	Hanoi, Vietnam	Official report of 48-year-old businessman with high fever (more than 38°C), atypical pneumonia and respiratory failure, with history of previous travel to China and Hong Kong.
4 March, 2003	Hong Kong SAR, China	Official report of 77 medical staff from Kwong Wah hospital reported with atypical pneumonia.
5 March, 2003	Hanoi, Vietnam	Official report of 7 medical staff from the French Hospital with atypical pneumonia.
15 March, 2003	Singapore and Ontario, Canada	Official reports of atypical pneumonia fitting the same case definition.

Between November 2002 and 10 July 2003 there were 5,910 probable cases of SARS, and an additional 2,527 cases in China for which the date of onset was not available, with 774 lethal cases including citizens of 29 countries.
Source: WHO at www.who.org

The WHO coordinated the worldwide response through the recently established Global Outbreak and Alert Network. A network of leading laboratories was created with the aim of speeding up detection of the cause of the infection and to try to develop a diagnostic test. Another network collected information about the symptoms and diagnosis of the disease.

Specialists held frequent teleconferences and meetings, and there was intensive sharing of data. Websites were continuously updated and used to provide information, including recommended control measures such as patient isolation, and advice to the general public to avoid non-essential travel to epidemic areas. There were frequent press releases, press conferences and interviews, sometimes generating thousands of press stories a day.

The measures taken by the WHO to combat the epidemic were very effective. On 5 July 2003, the WHO announced that SARS was under control and ended the global health public emergency response. The international spread of SARS was successfully controlled in less than four months, with 8,098 cases and 774 deaths registered by 31 July 2003, and an estimated economic cost of USD 30–140 billion.

In comparison with other epidemics, it can be said that the epidemic was restricted, but public interest in SARS was immense and the media reported extensively on the epidemic. There were enormous economic consequences due to losses in trade and travel. Even with an abundance of information, fears about the disease and consequent panicking were not unusual. The decline in tourism led to dramatic shortfalls in revenue for airlines. Losses in restaurant and entertainment business caused a number of enterprises in Hong Kong to go bankrupt.

Many factors came together to make SARS a complicated emergency that exceeded the capacities of national health systems. The background to the epidemic was unknown, there was no specific therapy and there was a high case fatality – about 10 %. Major factors that influenced the epidemic's development include the delayed verification of the epidemic at the start and the healthcare workers at high risk who also contributed to its spread. Because of international travel the disease spread to other countries very rapidly.

It is difficult to predict whether SARS will re-emerge as an epidemic. According to WHO experts, it is too early to see whether SARS has been eradicated. The possibility of there being virus carriers without symptoms and/or animal reservoirs cannot yet be excluded.

Strong international political commitment was required to reinforce national and international disease control, but data sharing was not enough to control the epidemic. There was also an urgent need for decision making, often with limited information. To be able to confront a major epidemic disease threat, countries must quickly share information, mobilise resources and be able to implement control measures. Prompt access to the best global expertise, and the use of expert knowledge to support countries facing the threat of disease, are crucial.

By the time the SARS response was set in motion, some opportunities for prevention had already been lost. Since then, many countries have improved their systems of surveillance and reporting. The World Health Report 2003 states pessimistically that this will not be the last disease to take advantage of global conditions. The rapid containment of SARS was a success for public health, but the control measures consumed enormous resources. Without the active intervention of the WHO, the epidemic would not have been stopped. SARS showed the need to have a well-functioning WHO with good resources. Generous extra budgetary resources given to the WHO through development policy channels might be even better used if they

were not so strictly earmarked. Development policy actors would then have to be more involved in general budgetary discussions at the WHO, which would in turn reduce the need to follow up individual programmes.

5. Avian influenza: Will the epidemic continue?

There are three major types of influenza viruses, named A, B and C. Of the three, influenza A is most aggressive and it can cause worldwide epidemics. It is a natural infection in humans and many animals including birds. Influenza A strains are divided into subtypes according to the nature of the H and N proteins. Some virus subtypes and strains have been proven much more harmful than others.

There have been three influenza A pandemics or worldwide epidemics in the twentieth century. In 1918–19 the "Spanish flu" caused the deaths of up to 50 million people worldwide. Many young, healthy adults died within a few days of being infected. The "Asian flu," of 1957–58 was first identified in China. The "Hong Kong flu" of 1968–69 was the third pandemic, first detected in Hong Kong. "Hong Kong" viruses still circulate today.

In December 2003, large numbers of Asian domestic bird stocks suddenly died. Investigations revealed a very strong strain of influenza A virus: avian influenza or bird flu. Since then, an increasing number of Asian countries have reported outbreaks of very pathogenic avian influenza in chickens and ducks. Moreover, reports of its occurrence in wild birds have also been received. Wild birds are usually carriers of the virus, but have a natural resistance, which prevents them from becoming ill. Domestic birds do not have the same resistance and are easily infected. Mortality is very high and an entire flock of birds can die within days of infection.

Case Study: Bird flu

BIRD FLU DID NOT BECOME A MASS KILLER

The killer was microscopic, invisible. It hit suddenly, caused widespread destruction and disappeared as mysteriously as it first appeared. There were a hundred million victims. They were chickens and other birds. Few of them died of the disease itself, a viral bird flu. Most of them were slaughtered by humans as a precaution to prevent the spread of the disease. This was imperative, because it is estimated that up to a hundred million people could have died, if the H5N1 virus spreading in Asia in the spring of 2004 had learnt to pass itself on from one person to the next. This did not come to pass. Altogether 24 people died of bird flu in Thailand and Vietnam. "I do not think we exaggerated the threat", says Roy Wadia, Communications Officer for the WHO.

The worst killers in world history were not soldiers but epidemics. Everyone knows how easy it is to catch ordinary flu. But what if each cold could result in death? This actually happened in one Vietnamese family. The bird flu first jumped from a chicken to a human and then from one human to the next. It was the beginning of a potential disaster, but for some reason the virus did not spread beyond the family. "It was like a lottery. It could have happened, but it did not. The dangerous thing is that we do not know why. We cannot predict," laments Wadia.

Many mysteries are still associated with bird flu. Once it had been found in Thailand and Vietnam, there was suddenly an outbreak some thousands of kilometres away in the middle of the Chinese countryside. How was this possible?

Migratory birds are suspected. Bird flu was also discovered in the islands of Japan, for the first time since 1925. Research has been carried out to find out how the virus travelled such distances. The probable cause was that a flock of birds from some Asian country had landed in Japan in January. The birds might have rested in a lake, or perhaps they excreted into it. Water was then carried from the lake to the farm birds. Or it could have been a sparrow, a crow or a mouse that brought the virus from the lake to the henhouse, resulting in the deaths of thousands of chicken.

"We know it kills birds very quickly. We have known this for 60–70 years. But it is only recently that we have found a strain that can pass on to humans as well", says Hugh Pennington, Professor for Bacteriology at the University of Aberdeen.

One view of the events of that spring is that humans, as the strongest animals on the planet, organised a mass murder of smaller creatures, chickens, to protect themselves. But the smallest living thing of all, the virus, did not die. "It still exists. It may have become endemic in large parts of Asia. It may take years before it is eradicated. Or it may still exist among us after several decades", says Wadia from the WHO.

Sami Sillanpää, originally published in *Helsingin Sanomat*, 8 July 2004

The same strain that was found in poultry in the Republic of Korea in December 2003 was also confirmed in Thailand, Vietnam and Japan. In January 2004, it was reported from Cambodia, Indonesia, Laos, Taiwan and China as well. In February, there was another outbreak in Japan.

Even though avian influenza viruses do not usually infect humans, several cases of human infection have been reported. An outbreak occurred in 1997 in Hong Kong

when 18 people developed serious complications and six of them died. Close contact with live infected poultry was the source of human infection in all the cases. About 1.5 million chickens had to be killed to remove the source of infection.

Furthermore, in January 2004, Vietnam and Thailand reported cases of human infection with avian influenza. Bird flu is especially harmful to humans because they do not have sufficient immunity to the disease. Until now most avian flus have not been transmitted from person to person, but have been transmitted through close contact with live poultry. The current influenza strain is worrying because of its aggressiveness and ability to infect humans. As of 18 November 2004, there were 44 confirmed cases of avian influenza A (H5N1), with 32 deaths reported.

Influenza viruses are able to mutate. Strains that do not cause infection in the beginning can mutate with time into strains with different properties. At the start of the 1983–84 avian flu epidemics, the virus had a low mortality rate but later on mortality rose to almost 90%. More than 17 million birds had to be killed in order to control the outbreak. Already at the beginning of the recent outbreaks, more than 100 million birds have died or been killed. Poultry production is economically important in many Asian countries. From the farmers' point of view, compensatory payments for culling may not be sufficient to cover their losses. Short-sighted economic reasons may lead to the hiding or smuggling of valuable birds.

The simultaneous circulation of human and animal influenza viruses is problematic. The influenza virus is known to be able to swap genetic material. Animals can act as vehicles for this process. If, for example, a pig was infected with viruses of avian and human origin at the same time, the genes could be re-assorted and a new strain could appear. These new viruses could produce more harmful symptoms and cause new pandemics to which humans would have little immunity. They might have the ability to spread from person to person. There is thus a serious risk that a new pandemic may surface.

In September 2004, Thai and international health officials confirmed a probable first human-to-human transmission of the H5N1 strain.

Symptoms of avian influenza in humans include fever, a sore throat and eye and muscle pains. Respiratory distress is common. In the absence of vaccines, antiviral medicines are used for the prevention and treatment of human influenza. The problem is that the current strains are resistant to some of the antiviral drugs that are used for prevention. Moreover, the drugs are expensive and their efficacity is uncertain.

When a new epidemic starts, vaccines are usually not available. The new virus has to be identified and isolated and it normally takes at least six months to produce the first doses of vaccine. For this reason, it is crucial to try to prevent or delay the initial spread. Since epidemics constantly evolve, the global influenza situation has to be closely monitored and modifications in new influenza vaccines made accordingly.

The WHO has warned all countries that the risks of avian influenza risks are not over, and that humans will probably continue to be infected. Because of the potential of the virus to mutate and possibly to be able to spread from person to person, monitoring of the situation is of the utmost importance. Avian influenza has the potential to cause the next pandemic. Given this threat, the WHO has urged countries to update their influenza preparedness plans. Estimates of the deadliness of a possible epidemic vary The characteristics of a pandemic virus cannot be exactly predicted. The outcome will also depend on how effective and flexible the response plans and the access to health services are. Many of the lessons learned through the SARS experience are also valid in preparing an avian influenza response. Long-term support for surveillance and services systems at national levels would seem to be a worthwhile investment for development partners wanting good returns regarding public health.

6. The way forward: Strategies and finances

Global Responses

Recent epidemics have highlighted the truly global nature of health problems and the consequent need to have a common framework to guide national and international responses. Experience from the past few years has proved that health threats can effectively destabilise societies. To improve the world health situation and social stability on a long-term basis, a good balance is required between investments for emergency demands and investments for more long-term needs. Coordination and guidance of worldwide responses to health threats and crisis conditions is necessary to get optimal results. The WHO is presently in the best position to do this in view of its mandate and capacity. If this key global organisation did not exist, a similar institution would have to be invented. A well-functioning world health organisation has the ability to save lives and improve the global economy. But to confront health threats that affect security globally, clearer definitions are needed of the roles of different stakeholders and of the applicable rules. Moreover, global actors have the challenging task of trying to make their contributions as cost-effective and coordinated as possible in a situation of ever-changing disease patterns.

Surveillance and reporting: Whose responsibility?

The WHO's International Health Regulations (IHR) are in themselves an instrument that aims to achieve security against the spread of internationally significant diseases without undue disturbance of trade and travel. The present IHR, dating from 1969,

include the obligation to report to the WHO about the incidence of three major diseases: cholera, plague and yellow fever.

The present regulations have several shortcomings. The coverage of only three diseases is clearly insufficient for today's international needs, and the system is too dependent on countries' own active reporting. Surveillance systems are poorly developed in many countries. The lack of collaboration in applying them may be due to the lack of incentives or to the relatively recent acknowledgement of the usefulness of this instrument. According to the present IHR, member states should notify the WHO within 24 hours of the outbreak of any of the above-mentioned diseases. However the WHO has no enforcement powers, and countries have sometimes not complied for fear of adverse consequences, such as losses caused by a decline in tourism.

There is an international consensus that the present IHR are outdated, and the WHO has started a process of revising the regulations. The revised draft has been discussed in regional consultations and in a global intergovernmental conference. The aim is for the revised IHR to be adopted in the World Health Assembly in May 2005. To have a better impact, the WHO must not only focus on surveillance systems for specific diseases, but must also be informed about all public health emergencies of international importance. This includes emergencies caused by biological, chemical or radioactive substances, and also important accidents and deliberately caused situations. Having received such alerts, the WHO should analyse the situation and issue immediate recommendations, for example, concerning ports, international transport and passengers. According to the draft, situational analysis will be conducted in collaboration with national health authorities, but it will also include information coming from other sources than purely official notifications.

The IHR should be both a legal framework and a practical working tool for global health security. This tool should function as a mechanism that gives early warning of events that may require immediate international response in order to prevent the spread of disease. Routine controls related to the movement of people and goods, at ports of arrival and departure and during travel, will be updated. This will increase the capacities of states to react rapidly and help prevent epidemics.

The present WHO draft also acknowledges the importance and interdependency of other sectors than health in affecting health outcomes. Increased collaboration with such sectors as the environment and international law is required. Health emergencies are only a small part of larger public health problems.

Another tool is the Global Outbreak Alert and Response Network, which is formed largely on the basis of experience gained from the last big epidemics. There are now networks of over 100 laboratory and disease-reporting systems. Information is gathered from many different official and unofficial sources. Information gathered from scanning websites and electronic discussion groups can be combined with data from governments

and academic institutions. Further efforts are required in order to obtain more accurate information from people and organisations in civil society and from and about marginalised and remote communities. Community-level knowledge from sources outside the health sector may also give important information about changes in health behaviour, disease patterns and emerging health risks. These sources are under-utilised, which has implications for sustainability and cost-effectiveness. Clear political oversight and guidance are needed to make full use of national expertise worldwide.

With the adoption of the new IHR, the WHO and member states will be better equipped to deal with health emergencies. To make the IHR fully operational, new responsibilities and incentives may also have to be developed.

Health and development funding

Resource pledges for global health have increased since the Monterrey Conference on Financing for Development and the launching of the UN Millennium Development Goals in 2000. New international actors and resources have emerged, and innovative financing mechanisms aimed at collecting funds from new sources have been developed. However, as overall official development has declined in the same period, financing for health is not on a stable basis. Current health spending in many low-income countries will not lead to meeting the Millennium Development Goals. According to some estimates, a roughly fivefold increase in health spending would be needed to achieve the Goals. Poorer countries generally spend lower proportions of their GDPs on health compared with richer countries. External sources provide a considerable part of health budgets in poor countries, so development assistance efforts for improving health have a major impact.

But the architecture of the Millennium Development Goals also points to the fact that finance is not the only solution to the problem. Three of the goals are directly related to health, showing the importance of health issues to any development effort. The Millennium Development Goal framework is also built on understanding the interdependency of the many factors that contribute to health and to development.

It has been argued that some of the new financing mechanisms may undermine government ownership and lead to duplication of efforts. Sudden influxes of funds earmarked for disease-specific interventions pose challenges for countries with already limited financial and management systems, as well as human capacity constraints. Recent efforts among donor countries to harmonise cooperation procedures and mechanisms to better adhere to national poverty reduction programmes and sectoral planning are based on the notion of the high transaction costs involved in multiple, but separate and uncoordinated, financing mechanisms. Other recognised problems

are the unpredictability and unsustainability of influxes of funds and the consequent skewing of priorities.

The WHO is also grappling with the problem of a majority of the funds it receives being already earmarked for specific projects and programmes. Seeing funding of WHO as a necessary global public good might make it easier for donors to lessen restrictions on funding and move towards core funding. In many countries, NGOs are major providers of health care and it is necessary to get them better involved in planning and implementing sectoral programmes to make full use of their potential and resources.

The experience of confronting global health threats in the past few years also demonstrates that a patchwork approach, even one with excellent programmes, leaves the whole system just as weak as the weakest global surveillance link. There is a clear need for support for policy- and institution-strengthening at country level, and for achieving a global consensus on priorities and working methods.

The role of WHO is also of key importance when addressing other diseases than the infectious ones. A different institutional architecture for the WHO may emerge with time.

7. Conclusions

There is still a very long way to go before the WHO goal of health for all can be reached. Behind the international consensus on the need to focus development policy on combating poverty is the recognition that unless the reasons for deprivation and conflict are dealt with, development just will not happen. The nature and timing of natural or man-made threats to people's health are impossible to foresee. But what can be done is to identify factors and situations that might develop into crises, and to prepare for different possible scenarios. There is already a vast amount of accumulated evidence as to how coordinated responses to crisis situations do or do not function.

No single country has sufficient systems or resources to control fast-spreading new epidemics or to combat the basic underlying causes of poor health. Accumulated knowledge, best practices and epidemiological news are common public goods that must be used in solidarity to benefit the global community. SARS would probably not have been controlled had a massive international effort not been made, involving huge costs both for the WHO and the countries involved.

In the ambitious attempts to raise more funds and grapple with emerging health threats, new coalitions are constantly being formed. Even though most parties involved in development policy seriously aim to focus on country processes and strengthen developing country ownership, there are still many forums that all deal with the same health issues with only slightly varying constituencies. True alignment and

harmonisation is a long-term process that has only just begun. To make better use of the existing forums and avoid investments in inventing new ones will be a major challenge. Better consultation of civil society is a cost-effective approach.

The international collaboration of health surveillance networks and the world's public health experts was successful in combating the SARS epidemic. It is essential to learn to work as global partners in order to be prepared for epidemics and to respond to them. Lessons already learned particularly include the need for more prompt and open reporting of any emerging disease that could have international importance. Alternative and unofficial information sources must also be better used. Different constituencies, such as health professionals and foreign policy actors need to work closer together. In addition to the traditional stakeholders, other actors, too, are important for building optimal responses at country level. Coordination mechanisms are needed to make even better use of resources such as NGOs, interest groups, political movements, academic institutions and donors. Country-level capacity building is central to any health strategy and, as always becomes evident during crisis response and transition periods, even more effort is needed to strengthen recovery and crisis prevention.

The achievement of human security goes beyond combating infectious diseases. An important part of crisis prevention and resolution lies in building and repairing basic health systems. Functioning and accessible institutions together with guiding norms and best practice form the backbone of any structure that aims to address insecurities and promote stability successfully, both short-term and long-term. But at the cutting edge of all efforts to combat health threats are the people themselves. More emphasis has to be put on peoples' possibilities to influence their own health. When health systems can shift from being reactive disease-treating institutions and become proactive health-promoting entities, the goal of good health for all will be much closer to being achieved.

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9. Small arms, light weapons and human security[1]

Timo Kivimäki and Olli Ruohomäki

The AK-47 has become for many young men the equivalent of a credit card connecting them to the dreams of the modern world of goods and money.

1. Illegal small arms and light weapons as a threat to human security

The illegal production, possession and trade of small arms and light weapons (SALWs) constitutes a threat to human security as a whole rather than just being a traditional security threat to sovereignty, territorial integrity or vital state institutions. Some 90% of casualties in civil wars are caused by these weapons, while the weapons systems that threaten states themselves most severely are often much heavier and more advanced. The severity of the problem of small arms and light weapons is due to the fact that, instead of inter-state wars, civil wars are now the predominant form of modern warfare. Of the 31 conflicts that caused at least 25 casualties in 2002, for instance, only one was a conflict between states.[2]

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[1] We are grateful to Laura Kansikas-Debraise for her constructive comments.
[2] Scott Gates: "CSCW Director's Report", in PRIO Annual Report. PRIO, Oslo 2004.

There is a strong correlation between the use of illegal small arms and light weapons and underdevelopment. Firstly, small arms and light weapons are primarily a developing world problem, because the civil wars in which they are used mostly occur in the developing world. According to the dataset of the "Correlates of War" project,[3] 86% of civil wars are fought in developing countries. Secondly, the illegal spread of small arms and light weapons frequently occurs in areas where surveillance structures are underdeveloped. They are also often used in mafia-style illegal control of areas and territory where legal governance structures are lacking or weak, such as in Somalia, Afghanistan, DR Congo and in the peripheral areas of many developing countries. Thirdly, illegal small arms and light weapons are a serious challenge to development since they hamper conditions for development by diverting energy and resources to public security efforts and give rise to a private security industry which often operates on the fringes of the law. Furthermore, illegal small arms and light weapons fuel destructive conflicts in many parts of the developing world.

It should also be noted that the use of small arms and light weapons in war situations and organised crime is connected to transnational crime and international terrorism. Problems that originate in the developing world may often spread to the developed world. It is therefore clear that combating the illegal proliferation of small arms and light weapons has repercussions for Finland's international security strategy as well as for its national security strategy.

2. What are small arms and light weapons?

There are no formally and commonly accepted definitions of small arms and light weapons, but there is not much disagreement about definitions either. National and international definitions tend to be in accordance with a definition drafted in 1997, by a UN expert group.

> *"Broadly speaking, small arms are those weapons designed for personal use, and light weapons are those designed for use by several persons serving as a crew. The category of small arms includes revolvers and self-loading pistols, rifles and carbines, sub-machine guns, assault rifles and light machine-guns. Light weapons include heavy machine-guns, hand-held under-barrel and mounted grenade launchers, portable anti-aircraft guns, portable anti-tank guns, recoilless rifles, portable launchers of anti-tank missile and rocket systems, portable launchers of anti-aircraft missile systems, and mortars of*

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[3]   The dataset can be found at http://www.umich.edu/~cowproj/

calibres of less than 100 mm. Ammunition and explosives form an integral part of small arms and light weapons used in conflicts, and include cartridges (rounds) for small arms, shells and missiles for light weapons, anti-personnel and anti-tank hand grenades, landmines, explosives, and mobile containers with missiles or shells for single-action anti-aircraft and anti-tank systems."[4]

A more current definition is presented in the CSCE Handbook of Best Practices on Small Arms and Light Weapons, based on decision 5/03, Vienna 2003, note 1. This refers to small arms as "Those weapons intended for use by individual members of armed or security forces" and lists them in a way identical to that of the UN expert definition of 1997. According to the CSCE, light weapons are "broadly categorised as those weapons intended for use by several members of armed or security forces serving as a crew." Again the list given by the CSCE corresponds to the list presented by the UN expert report. The EU's position regarding the definition also seems to be in line with the UN and the CSCE. For example, the EU Joint Action of December 17, 1998 in relation to small and light weapons (Official Journal of the European Communities L 9/1, 15.1. 1999) bypasses the question of definitions, suggesting that it was a non-issue, while Annex 1 of the Council Joint Action of 12 July 2002 (Official Journal of the European Communities L 191/1, 19.7. 2002) lists moderators (silencers) as a new item in the small arms list. This document also includes ammunition as small arms for the first time.[5]

3. SALWs as catalysts and multipliers of conflicts, crime and terrorism

When considering the problem of small arms and light weapons, one should always bear in mind that the basic problem is that of conflict, crime and terrorism, not of small arms and light weapons as such. The essential point is that the illegal proliferation

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[4] Report of the United Nations Panel of Government Experts on Small Arms (1997), see p. 24, *Notes* #5.

[5] The national definitions are also similar to the UN expert definition. According to the British definition: "**Small arms** are weapons designed for individual use, such as pistols, sub-machine guns, assault rifles and light machine guns. **Light weapons** are designed to be deployed and used by a crew of two or more, such as grenade launchers, portable anti-aircraft and anti-tank guns and missile launchers, recoilless rifles and mortars of less than 100mm calibre." (UK Small Arms and Light Weapons Programme http://www.fco.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ ShowPage&c=Page&cid=1041606161328) while a relatively similar US Defense Department slightly narrower definition can be found at http://www.dtic.mil/ndia/2001smallarms/mentz.pdf .

of these weapons only increases the magnitude and rate of escalation of the core problems.

Easy access to small arms and light weapons by combatants has resulted in 90% of civilian casualties in wars now being caused by these weapons. Some 500,000 people are killed by small arms and light weapons each year. UN Secretary-General Kofi Annan has characterised small arms and light weapons as slow weapons of mass destruction. Because of their abundance, they kill more people than all nuclear, biological and chemical weapons put together, despite the fact that killing people with small arms and light weapons is less intensive and thus slower. The average annual number of casualties caused by these weapons is greater than the total number of casualties caused by the atomic bombs dropped over Nagasaki and Hiroshima.

The proliferation of small arms and light weapons has the structural effect of creating *security dilemmas* in countries with weak governance structures. This means that the armament of one ethnic, religious, regional or political group is perceived as a security threat by others. The acquisition of arms by one group accelerates the arming of other groups, thus creating a spiral of mistrust, insecurity and competition in armaments. This logic of escalation fuelled by small arms is very typical of many poor war-torn states, including Sierra Leone, Liberia, DR Congo, Pakistan, Burma, Afghanistan, and Mali in the early 1990s. Somalia is perhaps the classic example of a spiral of violence fuelled by the availability of small arms and light weapons, and has provided the world with the classic image of a fighter with his finger on the trigger of a light machine gun mounted on a pick-up truck. Such spirals of violence has often sucked in groups who have never previously had any political interests besides their own security so they too become involved in wars and violent conflicts.

In addition to afflicting war-torn developing countries, illegal small arms are also a considerable problem with regard to crime prevention. It is estimated that about 40% of the half a million victims of small arms and light weapons are casualties of crime, terrorism and accidents.

Small arms and related crime have the effect of multiplying violence. In some violence-infested parts of Johannesburg, Bogota, Nairobi, Jakarta, Los Angeles and other poverty-ridden cities, small arms contribute to a security dilemma similar to that found in war-torn societies. Knowledge of the existence of illegal weapons provokes an increase in the number of legal weapons purchased for self-defence. At the same time, knowledge of the existence of legal weapons makes criminals more nervous and less hesitant to use their weapons first. The proliferation of small arms thus automatically brutalises both crime and the legal civilian response to it.

While explosives remain by far the most lethal weapon in the hands of terrorists, illegal small arms and light weapons play an important part in their operations. Groups such as the Colombian FARC, for instance, facilitate their operations and defend their

safe havens by holding territories with the use of small arms. Similarly, they use small arms to control illegal narcotics production. Terrorists also use small arms in their mafia-style fund raising and extortion. Terrorist groups, too, are very often involved in political conflicts and they need small arms for their activities. International illegal trade in small arms and light weapons with its accompanying cooperation in training activities, is often the nexus where the paths of ordinary rebels, organised criminals and terrorists come together. Rebel groups often make use of the convenience of the illegal supply routes for small arms and light weapons that have been established, and share their arms supply arrangements with terrorist groups. This has sometimes resulted in strategic and tactical inputs from the terrorist groups to rebel organisations, leading the latter to use soft targeting tactics in their struggle.

Case Study: Weapons of war in Aceh

Aceh is located at the north-western tip of Sumatra. A number of its four million people, led by the Free Aceh Movement, have been fighting a war of separation from Indonesia for almost thirty years. This war has caused over 10,000 casualties. The brave and fierce nature of the population and the militaristic traditions of the province together with the availability of small arms and light weapons have contributed to the intensity of violence in this struggle.

Many of the weapons in the hands of the Acehnese rebels originate from the local military and police officials (especially the mobile brigades) who either sell their weapons to the enemy or lose them in rebel ambushes. During a recent period of martial law in the region, the Indonesian police and army managed to capture or kill a large number of the rebels but captured only a few weapons. According to many experts and local informants, while this was partly because many of the captured people were civilians rather than rebel fighters, it was also due to the fact that many of the weapons captured by the military were actually their own weapons that had previously been sold or lost, and therefore could not be reported as weapons captured from rebels.

While all evidence, information and statements provided by the leadership of the Free Aceh Movement suggest that the mainstream of the rebel organisation subscribes to strictly non-terrorist means of battle, the leaders of the organisation admit that they have to buy their weapons wherever they can get them.[6] When making decisions on targeting, the policy of the group has been to avoid politically costly decisions and refrain from operations against civilians, even at the expense of military efficiency. In the question of arms supply and training, the Free Aceh Movement are more open to politically costly compromises. The rationale of getting weapons for Acehnese fighters justifies collaboration with such groups as the Moro Islamic Liberation Front, the Pattani Liberation Army and some other groups that are sometimes labelled as terrorist.[7] With the arms, the ideology of "horizontal escalation" also comes to the movement.

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[6] Interview by Kivimäki with Hassan di Tiro, Mahmud Malik and Zainal Abdullah, "Sultan", "Prime Minister" and "Foreign Minister" of Acheh, 27.6. 2004.

[7] This information is based on many independent sources close to the arms supply chain of the Free Aceh Movement.

According to this ideology, attacks by the coercive Indonesian state apparatus should be avenged on Indonesian civilians in order to inflict the maximum punishment on Indonesia. The ideology has not won the approval of the movement's leadership, but it is a recent tendency among some circles of the movement. While the leaders of the movement admit that the ideology exists, some reliable informants suggest that it originates from the people closest to the arms supply chain: tacit collaboration in the illegal trade of small and light weapons has probably exposed the Acehnese separatists to the temptation of terrorism.

4. Aspects of the problem: illegal manufacture, trade and use of SALWs

Mapping out the problem of small arms and light weapons will always involve considering the manufacture, trade and use of the arms. In contrast to the situation regarding illegal substances, the problem of small arms and light weapons exists in a context of the legal manufacture, trade and use of small and light weapons, which often help to solve the very problems that illegal manufacturing, trade and usage causes. The existence of a monopoly of violence by a legitimate government, and of well-functioning police and defence forces, prevents the formation of the security vacuums that otherwise would give rise to violent crime and physical conflict. It must be borne in mind that small arms and light weapons are typically weapons of law enforcement, as well as being weapons used by rebels and criminals. According to a recent study by a team from Oxford University,[8] 3 % of firearms are in use by police forces, and these 3 % have to be retained for use in the fight against illegal manufacture, trade and use. The prevention of illegal manufacture, trade and use of small arms and light weapons should not hamper their legal manufacture, trade and use.

Small arms and light weapons manufacturing is a very substantial business on a global scale. According to UN statistics, 4,3 million SALW units are manufactured annually, and the international stockpile is approximately 500 million units. While the number of legal manufacturers is growing, and there are now about 600 of them, three times the number in 1980, the market is not growing. On the contrary, the value of small arms and light weapons has been decreasing since the beginning of the 1990s together with the decline in war casualties. Nevertheless, because of shortcomings in the international registration and identification of SALWs, the figures for weapons manufactured are unreliable and inaccurate. This is especially true with regard to illegal and amateur manufacturing, which makes up an important share of SALWs.

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[8]   Graduate Institute of International Studies, Oxford University: Small Arms Survey 2001. Oxford University Press, 2002.

With an average annual value of approximately USD 4 billion, world trade in small arms and light weapons is very significant. Illegal trade is estimated to account for one quarter of this figure. The sale of small arms and light weapons to war-torn countries and countries on the UN's arms exports embargo list is considered to be the greatest problem internationally. Nationally controlled export-license procedures and international export control systems have not yet managed to curb the problem, in spite of the existence of some broadly based agreements, such as the Wassenaar Arrangement on Export Controls for Conventional Arms (such as SALWs) and Dual-Use Goods and Technologies (such as instruments and chemicals that can have a military usage).[9]

The fact that potent and broad-based legal frameworks like the Wassenaar Arrangement do not always manage to curb the illegal trade in weapons and military equipment is often due to the problems involved in implementing of the norms of the agreements. The successful implementation of export controls on small arms and light weapons would require not only the commitment of every nation in the world, but also an increase in national and international capacities, as well as international cooperation and intelligence sharing.

The problem of small arms and light weapons is not, however, just a matter of hardware. Successful implementation of small arms control and disarmament often requires addressing the users of these arms, and not just the weapons themselves. In many cases, the prevention and removal of security dilemmas in which different groups need to arm themselves in order to safeguard against other groups can be successful only if the immediate security needs of different kinds of "peoples militias" are satisfied, and the individuals involved in the militias are reintegrated into the civilian sector. If the security situation no longer warrants the existence of such militias, it is of paramount importance that the members of these militias do not need to feed off a conflict situation for their personal economic well-being and their sense of identity. This entails dealing both with the weapons and with the individuals using them, as was the case in the UNDP-coordinated disarmament process in Northern Mali in mid-1990s. However, if disarmament, and the control of SALWs, only focuses on weaponry, the situation may well turn out as it did with regard to the Afghan combatants after the end of the war with the Soviet Union in February 1989.

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[9] The members of the Wassenaar Arrangement are Argentina, Australia, Austria, Belgium, Bulgaria, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Republic of Korea, Romania, Russian Federation, Slovakia, Spain, Sweden, Switzerland, Turkey, Ukraine, the United Kingdom and the United States. As an organisation with a membership base as extensive as this, the Wassenaar arrangement is an exceptionally potent legal instrument for the control of small arms and light weapons.

Case Study: Success in Mali, failure in Afghanistan

The conflict in Northern Mali in the first half of the 1990s was between Tuareg (an ethnic group) and the Malian military, between the nomadic Tuareg and the sedentary people of the North, and between different classes of the Tuareg, mainly over land issues. The structure of antagonism was complex. Not only was there antagonism between ethnic and regional groups, but also antagonism between the centre and the periphery, as well as between Tuareg nobles (*Mouvement Populaire de l'Azawad,* MPA) and vassals (*Armée revolutionnare de libération de l'Azawad,* ARLA). These two groups and former slaves exploited and pillaged sedentary populations (*Mouvement Patriotique Ganda Koy*). Furthermore, most parties to the conflict had their own internal divisions between political moderates and militant extremists. And there was also antagonism between various rebel groups and the Malian government.

The conflict arose after a change in climatic conditions had destroyed the livelihood of pastoral people, marginalising them and making them refugees. Because of the central government's lack of attention and weak hold over the northern parts of the Republic of Mali, the parties to the conflict, including the military, were able to resort to unrestrained violence, and thus created an atmosphere in which the various groups needed to mobilise in order to protect themselves.

The root causes of the conflict related to economic survival. This overall motive was compounded by the need of each group to protect itself from the predatory actions of the others, which led to a situation requiring special measures to disarm the groups and control the use of small arms and light weapons in the area. First of all, a legitimate law enforcement structure had to be created to end a situation in which disarmament constituted a threat to one or more individual groups. Since the state and its unruly security forces had become parties to the conflict, this was very difficult. In addition to the immediate conflict-management task at hand, a formula had to be created that not only resolved the macro-level disputes between the groups, but also solved the personal dilemmas of fighters for whom fighting had become a source of identity and economic survival. It is at this juncture that the international community managed to help the disarmament effort in an exceptional manner. With the UNDP playing an important role, an ambitious international operation was launched to disarm the combatants by offering them opportunities in civil life and integrating some of them into the regular security forces. This small arms and light weapons disarmament process utilised an integrated approach, since it integrated military objectives with solutions that addressed crucial development needs. The disarmament effort engaged in managing the violent situation while simultaneously removing the basic economic causes of the conflict. The success of the operation was symbolised by a huge bonfire of weapons that was organised in Timbuktu on 27 March 1996.

The approach adopted in Mali, and its subsequent success, can be contrasted with the approach to, and failure of, post-war peace-building in Afghanistan following the withdrawal of the last Soviet troops in February 1989. While conflict resolution in Mali was brought about by means of peace-building that aimed at both military and development objectives, the success of the Muslim fighters in Afghanistan was perceived as having been brought about by use of arms. This was the first highly relevant difference between Mali and Afghanistan. Another difference relates to the interests of the international community with regards to the conflict. For political reasons the anti-Soviet groups had been supplied with small arms and light weapons by the United States, the United Kingdom, Saudi Arabia, Pakistan, China and several other countries, under a CIA umbrella of coordination.[10] While this support was well coordinated,

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[10]   Rohan Gunaratna 2002. *Inside al-Qaida.* Hurst, London, p. 18.

the efforts to recover the arms that the anti-Soviet groups had used in the war against the Soviet Union were less well organised. However, the main difference between post-conflict Afghanistan and Mali lay in the way that the people in possession of the small arms and light weaponry were "disarmed". While in Mali, horizons were opened for former combatants to perceive opportunities in the legitimate security apparatus or in the civilian sector, the fighters of Afghanistan were left with only a single "career opportunity". The pride instilled by "military victory" over a superpower, the Soviet Union, together with neglect as to the integration of the combatants into "normal life"[11] helped to create a mass of transnational fighters who did not see any economic opportunities apart from combat. Moreover, nothing was available, or provided, to replace the "warrior identity" that had been established in the course of the conflict. According to Keppel, this gave rise to modern terrorism.[12] This argument can be supported by statistics about Islamic militant activism in many of the countries from which the Islamic fighters in Afghan war originally came: [13]

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Figure 2.1 Islamist Militant Activism in Algeria and Egypt (number of violent incidents)
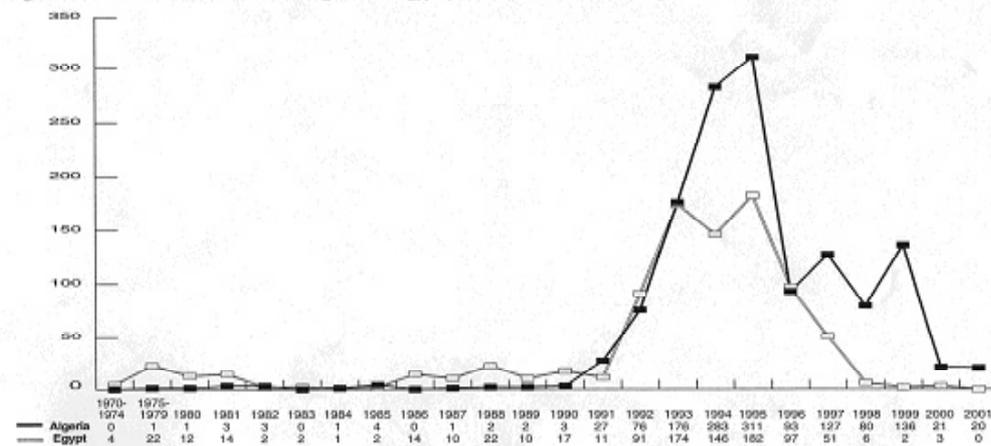
Source: The data were collected from the *MEI* quarterly chronologies. *MEI, ACR,* and *MECS* and episodes reported by Roberts (1988), Al-Ahnaf et al. (1991), Lamchichi (1992), Ayyashi (1993), Willis (1996), and Burgat and Dowell (1997).

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[11] In fact the West used some of the same combatants also Bosnia as well, and thereby encouraged, instead of discouraging, their continued identification with wars and violence.

[12] Gilles Kepel 2002. *Jihad, The Trail of Political Islam.* I.B. Tauris, London.

[13] The table is from Mohammed M. Hafez 2003. Why Muslims Rebel. Repression and Resistance in the Islamic World. Lynne Rienner Publishers, Boulder London, 32.

5. The international community and the SALW problem

The international community has taken several important steps to tackle the problem of small arms and light weapons. Already before the explicit focus on SALWs, initiatives were introduced to curb the proliferation of nuclear,[14] chemical,[15] biological[16] and conventional weaponry, and the technologies that might enable the indigenous production of these weapons by embargoed countries. The last of these fields of regulation is the most relevant for the problem of small arms and light weapons. Dealing with the issue of controlling the proliferation of conventional weapons such as SALWs, the international community managed to reach an agreement in December 1995, in Wassenaar, in the Netherlands, whereby 28 governments agreed to the formation of a new system of control for exports of weapons and dual-use military technologies called "the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies."[17] The Arrangement currently has 33 members and it is probably the most potent legal instrument for tackling international aspects of small arms and light weapons, and especially trade in them. By building on the consensual mechanisms of the Wassenaar Arrangement, it could become easier to deal with the illegal circulation of unauthorised exports of war materials.

The role of the United Nations is crucial in addressing the global problem of proliferation of small arms and light weapons. The problem of illegal SALWs would be much closer to resolution if only the members of the UN would keep to the UN decisions. Mechanisms already established by the UN to deal with arms brokers who evade the official procedures of export regulations would be largely adequate if only there was more commitment to their implementation among all member states. However, national interests often define different SALW policies, often looser, but sometimes stricter (in the name of counter-terrorism, for example). In all cases, deviation from multilaterally agreed UN decisions causes problems for the control of small arms and light weapons.

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[14] For the text of the Treaty on the Non-Proliferation of Nuclear Weapons 1968/1970, see http://disarmament.un.org:8080/wmd/npt/index.html

[15] For the Convention on the Prohibition of the Development, Stockpiling and use of Chemical Weapons and on their Destruction, (Corrected Version), 8. August 1994 (Depositary Notification C.N.246.1994. Treaties-5), see http://www.un.org/documents/ga/res/47/a47r039.htm.

[16] For information on the Biological Weapons Convention, see http://www.opbw.org/

[17] The main documents related to the Wassenaar Arrangements can be found at http://www.wassenaar.org/docs/docindex.html

Most export control schemes refer to Security Council decisions when specifying embargoes on SALW exports. The role of the UN as a driving force and the source of expertise has been of key importance. The UN Disarmament Commission established its Guidelines for International Arms Transfers already in 1996. The UN has also played an important role in pinpointing the focus of attention with regard to small arms and light weapons. In 1998, the UN Department of Disarmament Affairs (DDA) established the Coordinating Action on Small Arms (CASA), an inter-agency coordination body within the UN framework. Some UN activities related to the SALW problem have managed to achieve legally binding results. The 1999 UN Firearms Protocol (12/10/02) of the UN Commission on Crime Prevention is one such example.

In July 2001, the United Nations convened a Conference on the Illicit Trade of Small Arms and Light Weapons in All its Aspects, aiming to bring the problem of small arms into the focus of global security cooperation.[18] The conference resulted in a UN Programme of Action on Small Arms and Light Weapons. This programme does not contain anything that would legally bind countries to adhere to it. Nevertheless it has inspired some important regional initiatives, as well as global UN efforts to implement it. The Joint OSCE Sales and Elimination Record of 2002, the OSCE's Document on Small Arms and Light Weapons, and the General Assembly's activity in March 2003 with regard to small weapons and African security, are examples of focusing on regions, while the July 2003 meeting on the Implementation of the Action Plan (See UNGA Res. 58/241) and the December 2003 continuation of the UN Conference on Illicit Trade in Small Arms and Light Weapons In All Its Aspects, continue the UN's global efforts. In 2004, the UN working group that was mandated by the Programme of Action continued to prepare an international document regulating the battle against illegal small arms and light weapons.

UN activity and the Wassenaar Arrangement have also generated the development of regional legal instruments for the control of conventional weapons and, more specifically, small arms and light weapons. The EU Programme for Preventing and Combating Illicit Trafficking in Conventional Arms was established in June 1997, aiming to address illegal trade in arms from and through Europe. This programme also had a component for tackling the particular problem of small and light weapons in the developing world. For example, it has specifically supported the Southern Africa Regional Action Programme on Light Arms and Illicit Arms Trafficking of May 1998. The next EU initiative, too, the EU Code of Conduct on Arms Exports, adopted in June 1998, had a more general focus even though it also represented an important

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[18] For more information on this, see *UN Conference on the Illicit Trade of Small Arms and Light Weapons in All its Aspects* http://disarmament.un.org:8080/cab/smallarms/index.html

regional step in solving the problem of illegal trade in small arms and light weapons.[19] Finally the first European Union Joint Action on Small Arms was adopted in December of 1998. This highlighted the problem of the accumulation of small arms and light weapons, particularly through weapons collection. The EU has also managed to harmonise its export controls policies with other western countries. Common principles were agreed by the US and the EU in December 1999, and the EU and Canada also established a working group for joint implementation of their respective programmes on SALWs in late 1999.

6. A policy agenda for coping with small arms in the context of development

In the light of the analysis of small arms and light weapons as a real threat to human security put forward in the previous sections, it is clear that there are no simple solutions to the problem, particularly in situations of weakness in state institutions. In the following sections, we try to outline some of the key approaches and lessons learned, and argue that human security needs to be kept constantly at the centre of the debate on the SALW problem.

The United Nations Conference on Illicit Trade in Small Arms and Light Weapons in All its Aspects from July 2001 was an important landmark in addressing the SALW problem. Much of the debate revolved around illicit trade in small arms. The focus was on identifying the steps involved in building norms and implementing collective measures. These steps are incorporated in the Programme of Action on Small Arms and Light Weapons, which calls for the following actions to be taken:

- Make illicit gun production/possession a criminal offence
- Establish a national coordination agency on small arms
- Identify and destroy stocks of surplus weapons
- Keep track of officially-held guns
- Issue end-user certificates for exports/transit
- Notify the original supplier nation of re-export

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[19] The Code of Conduct was agreed on May 25, 1998. This agreement provides detailed export criteria to grant or refuse an application for an arms export licence; establishes a mechanism whereby Member States consult with each other on the issuing of arms export licences; requires Member States to submit annual reports on arms exports and the Code's implementation; and, crucially, establishes a process of annual review intended to lead to a strengthening of the Code over the coming years. The text of the Code also calls on the Member States to encourage other arms exporting countries to adopt similar Codes of Conduct.

- Implement Disarmament, Demobilisation & Re-integration (DDR) of ex-combatants, including the collection and destruction of their weapons
- Support regional agreements and encourage moratoria
- Mark guns at their points of manufacture for identification and tracing
- Maintain records of gun manufacture
- Engage in more information exchange
- Ensure better enforcement of arms embargoes
- Include civil society organisations in efforts to prevent small arms proliferation

Areas for action can be divided into three components: supply, demand and misuse. Much of the debate here focuses on improving regulations and legal frameworks, better control and policing measures, the marking and tracing of weapons, and weapons collection programmes. It is important to note that each point listed in the Programme of Action must be applied in a context-specific way that corresponds to the problem that is being addressed. It is worth noting that the international community has learned some important lessons in applying the Programme of Action, and that progress has been made on many fronts, but overall the various approaches have had mixed success to date. Most notably, the Programme of Action does not address two key issues. Firstly, the SALW problem cannot be tackled successfully in isolation from the wider governance context in which it is inevitably embedded. In practice this means that in order for the state to assert its legitimate monopoly of violence through the security apparatus, there must exist strong institutions to enforce laws and control arms. As was noted in the analysis above, small arms are most readily to be found in societies that are either in a situation of violent conflict or emerging from such a situation. In these contexts, the state's institutions tend to be weak. The recent development discourse on the need to view the security sector as a whole puts the main weight on linking governance and institution-building to security sector reforms. The OECD/DAC Guidelines on Helping Prevent Violent Conflict (2001) defines security sector reform as essentially "the transformation of the security system which includes all actors, their roles responsibilities and actions, so that it is managed and operated in a manner that is more consistent with democratic norms and sound principles of good governance". The actors involved range from the military, the police, and the judicial and penal systems to the government and ministries of foreign affairs, trade and commerce, as well as the media, civil society organisations and the business community. It should be noted that safety and security is not just a question of conflict, crime and public disorder but, just as significantly, an issue of good governance. Consequently, governance reform in the justice and security sectors is now widely recognised as one of the essential conditions for sustainable human development. Secondly, the concept of human security is missing from the rather legalistic and weapons-centric discipline of arms

control and disarmament. As noted in the introductory chapter of this book, human security must be viewed as an all-encompassing condition in which people and communities live in freedom, peace and safety, participate fully in the process of governance, enjoy the protection of fundamental rights, and have access to resources and the basic necessities of life. The SALW problem undermines human security in very concrete ways. There is broad acceptance in current development thinking that certain socio-economic conditions and marginalisation phenomena increase the likelihood of armed conflict. Although there are no easy answers and solutions to the problem of decreasing the likelihood of armed conflict, the core elements of the current agenda very much encompass the core elements of human security. This entails a multipronged approach that addresses poverty, marginalisation and bad governance. Governments need to take wide-ranging action to reinforce "community security" – the conditions of communal peace and order that simultaneously foster human security and dissipate interest in acquiring weapons. These conditions include a trustworthy and accessible justice system that renders unnecessary any resort to armed self-help triggered by ungoverned strife and injustice. Where people are reassured that their rights and safety are protected, they will be less inclined to take up arms. Linking human security to the SALW problem therefore means working with holistic processes that directly address the needs of the people are involved in, or affected by, the SALW problem.

The following case study from Albania is a good example of putting human security at the heart of debate and attempting to foster security by improving the governance capabilities of the state security structures.

Case Study: SALW experience in Albania – "*One less weapon, one more life.*"

Albania embarked on a democratic and free-market economy system in the early 1990s, after being one of the world's most extreme centralised communist systems. Starting from a very low economic baseline and exceptional political self-isolation, the transition has been difficult in many aspects. Compounding the difficulties, over half a million small arms and various amounts of ammunition were looted from state military depots in 1997 following a rash of fraudulent financial pyramid schemes in which thousands of people lost all their savings. The late 1990s saw a dramatic increase in violent crime and public disorder in which the looted arms figured prominently. The Albanian state then embarked on programme to retrieve the looted weapons with the aid of United Nations Development Programme and several donor agencies. The initial phases of the programme employed a "weapons-in-exchange-for-development" approach in which the focus was on retrieving weapons from communities in exchange for community level development projects, such as small-scale infrastructure improvements in the target communities. In addition, awareness-raising campaigns were conducted in schools and through the media. The success rate was relatively good, given the magnitude of the problem. However, the programme identified a need to expand the areas of action, and particularly to improve the capacity of the Ministry of Public

Order and the State Police to deliver services to local communities. Police transparency and accountability, and community safety and security, were therefore introduced as new themes with the aim of building partnerships between the police and the communities they serve. Development grants for weapons collection still continued to be made, but by building a partnership between the police services and the communities the programme sought to have an impact in improving the environment for sustained public order at local level. This included strengthening police capacities, and promoting a positive police image and the role of the police as a provider of public services, enhancing mutual trust in social cohesion and cooperation and contributing to the full establishment of the rule of law and the security and safety of ordinary citizens.

7. Conclusions

The illegal production, possession and trade of illegal small arms and light weapons threatens human security rather than just constituting a traditional security threat to sovereignty, territorial integrity or vital state institutions. The SALW problem undermines human security in very concrete terms. Although the problem is by no means restricted to developing countries, there is a strong correlation between the existence of illicit small arms and light weapons and the existence of violent conflict, weak governance and underdevelopment, as exemplified by such cases as Afganistan, Somalia, DR Congo, Albania, and other countries. Furthermore, the proliferation of small arms and light weapons has the structural effect of creating *security dilemmas* in countries with weak governance structures. The armament of one ethnic, religious, regional or political group is perceived as a security threat by other groups, creating a spiral of mistrust, insecurity and competition in armaments. In this respect, small arms and light weapons are also catalysts and multipliers of violent conflict, terrorism and organised crime, as exemplified in the case study of Aceh.

Since the mid-1990s the international community has made some progress in tackling the SALW problem, ranging from various international and regional agreements, arrangements and moratoria to the UN Conference on Illicit Trade in Small Arms and Light Weapons in All Its Aspects and the connected Programme of Action on Small Arms and Light Weapons, which attempt to address the supply, demand and misuse of SALWs in one form or another.

It is important to note that tackling only the illicit sector of the trade in small arms and light weapons is not in itself sufficient, as legally acquired weapons also fall into hands of indiscriminate killers and human rights abusers. There are ongoing discussions about the need for a restrictive code of conduct on arms transfers, better known as the Arms Trade Treaty. This Convention would ban the transfer of arms that could be used to seriously violate established standards of human rights, humanitarian law and non-aggression. It would also require exporting states to avoid the sale of weapons that

could have an adverse impact on sustainable development or on regional peace and security. These are all laudable efforts and should be encouraged and supported by all parties concerned.

From the point of view of developing countries suffering from significant SALW problems, the success of the various initiatives and efforts has been mixed. There are encouraging examples of at least partial success in addressing the SALW problem in places such as northern Mali but there have also been disappointing failures in such places as Afghanistan. One of the main lessons to be learned appears to be that it is extremely important to understand that the SALW problem cannot be successfully tackled in isolated from the context of development and the enhancing of human security. The estimated one billion dollar annual value of the illicit arms trade is a sobering reminder that the magnitude of the SALW problem is so enormous that there are no simple solutions. From the point of view of development policy, in addition to efforts to build up norms and implement collective control measures, much work also needs to be done to foster security by improving the governance capabilities of the state security structures to assert their legitimate monopoly of violence, and enhancing human security by a multipronged approach which addresses poverty, marginalisation and bad governance.

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Contributors

Olli Ruohomäki is a senior advisor, and specialist on governance and conflict issues, at the Department for Development Policy, Ministry for Foreign Affairs of Finland.

Timo Kivimäki is a senior research fellow at the Nordic Institute of Asian Studies, Copenhagen.

Tuukka Castrén is an economic advisor at the Department for Development Policy, Ministry for Foreign Affairs of Finland.

Max von Bonsdorff is an economic advisor at the Department for Development Policy, Ministry for Foreign Affairs of Finland.

Minna Haverinen is a researcher at the Department of Environmental Policy, University of Tampere.

Matti Nummelin is an environmental advisor at the Department for Development Policy, Ministry for Foreign Affairs of Finland, and a senior researcher at the Department of Biological and Environmental Sciences, University of Helsinki.

Satu Lassila is a gender advisor at the Department for Development Policy, Ministry for Foreign Affairs of Finland.

Venla Pärssinen is a researcher at the Faculty of Law, University of Turku.

Katariina Sario is a researcher at the Department of Development Studies, University of Helsinki.

Gisela Blumenthal is a health advisor at the Department for Development Policy, Ministry for Foreign Affairs of Finland.

The objective of this collection of essays is to explore and offer policy options to address new threats to human security that transcend national boundaries and give rise to major development challenges in the contemporary world. The essays specifically deal with the challenges of governance, terrorism, foreign direct investments, informal economies, environmental degradation, AIDS and other health threats, human trafficking, and illegal small arms and light weapons. In addition to analysing the current position concerning each subject area topic, the papers offer development policy options for dealing with the problems from the perspective of development cooperation.

The human insecurity that has resulted from these threats means that administering aid in the same way as before is unlikely to contribute to resolving the problems created by the threats. More importantly, the peace and prosperity of the whole world is at stake. Some of the essays argue that there is a need to review, and in some instances reorient, aid policy to better take the threats into account, coupling this with rethinking aid targeting, instruments, channels and methods. In some instances, it is more a question of implementing existing conventions and of putting the lessons learned into practice. At times, it is also about better coherence between security policy, trade policy and aid policy. In most cases, it is really more about political will than anything else.

ELEMENTS for DISCUSSION

MINISTRY FOR FOREIGN AFFAIRS OF FINLAND

Development Policy Information Unit

Street address: Kanavakatu 4 a, 00160 Helsinki
Postal address: Box 176, 00161 Helsinki
Telephone: + 358 9 1605 6370 ● Telefax: + 358 9 1605 6375
Exchange: + 358 9 16005 ● E-mail: keoinfo@formin.fi
Internet:http://global.finland.fi