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**ECONOMIC
LIBERALIZATION
AND POLITICAL
VIOLENCE**
UTOPIA OR DYSTOPIA?

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Foreword

Frances Stewart

Since the Cold War, academics' and policy-makers' attention has been directed at two global phenomena—first, the combination of marketization, liberalization, and globalization, which has spread to almost every country in the world; and, second, the spate of civil wars that emerged after 1989, even as the wars-by-proxy fueled by the Cold War came to an end. While much has been written on the causes and consequences of both these developments, very little attention has been paid to the possible connections between them. Have the liberalizing pro-market reforms been responsible for provoking such opposition that violent civil war resulted? And what have been the consequences of the wars for reform?

It seems plausible that liberalization—with its acknowledged harsh consequences for income distribution and employment—might provoke violent opposition. Equally, globalization—which encompasses liberalization but goes beyond it, opening economies not just to the opportunities presented by global markets, but also to acute vulnerability associated with global cycles—might be thought to be likely to provoke rebellion as people lose their economic security. And in the reverse direction: One might expect that when such violent conflicts end, governments would cling to the security of planning and protection rather than opening their economies to the fierce internal and international competitive forces that result from liberalizing reforms.

This important book represents the first systematic attempt to explore these connections. It does so both theoretically and in practice, drawing on econometric cross-country evidence as well as case studies encompassing a range of situations.

The book shows that the connections between liberalization and conflict are far more complex and nuanced than suggested above. The causes of civil war are deeply rooted in group inequalities, poverty, and history, as well as in specific conjunctural events, on which reforms often have little bearing. Moreover, in some respects market reforms may reduce, rather than increase, the risk of conflict, as economic opportunities come to depend more on capabilities and

less on connections. In terms of the reverse connection, war-ending seems to open the way for reforms, partly when it leaves a single victor powerful enough to overcome special interests, like in Peru, and partly when post-conflict donors insist on these reforms as a condition for the much needed reconstruction and recovery aid, as in Uganda. These complexities are powerfully illustrated by the evidence presented here. We see that in some cases, market reforms have accompanied conflict—such as Côte d’Ivoire and Sudan—although in both cases it is difficult to argue that they were the prime cause of it; and in other cases, liberalizing reforms have *followed* the end of fierce civil wars without reigniting conflict—such as Peru, Central America, and Uganda. More often than not, it seems that the end of wars has presented an opportunity for reform, and has not inhibited it.

While this book provides conclusive evidence that there are no simple relationships between globalization, liberalization, marketization and conflict, showing how complex the relationships are, further elapse of time may reveal still new connections. On the one hand, global recession may threaten political stability along with economic stability, and may also lead to an unraveling of some reforms. On the other, in many cases it seems that obsession with reforms has come at the expense of addressing some fundamental grievances that underlie the conflicts, including horizontal inequalities, land distribution, unemployment and poverty, and failure to address these grievances could lead to new outbreaks of violence in the future.

This book is essential reading for those concerned with the ever-present issues, any solution to which is of enormous importance to development and stability. The book offers enlightenment both to students of conflict and of the political economy of reforms, including policy-makers. The latter should be relieved to find that, in most cases, their reforms do not seem to have been responsible for conflict, although they have not stopped or prevented conflict either. But we cannot afford to be complacent: Grievances do need to be addressed if political stability is to be ensured, and the forces of globalization and market reforms cannot do so.

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Introduction¹

Gerd Schönwälder and Francisco Gutiérrez Sanín²

Globalization is as omnipresent as it is contentious. Lauded by some as a portent of peace and prosperity, it is accused by others as a harbinger of conflict and war. For some, the opening of societies, markets, and polities amounts to a “liberal utopia,” where one good thing leads to another and violent conflict becomes a distant memory. Popularized by the likes of *New York Times* columnist Thomas Friedman (*The World is Flat*) or Johns Hopkins University professor Francis Fukuyama (*The End of History*), this view has been hugely influential, not least for international policymaking. Others, by contrast, see globalization as a threat to democratic governance and national sovereignty, fearing that it will further sharpen social cleavages and open new conflict fault lines. Partisans of this “liberal dystopia,” such as Naomi Klein (*The Shock Doctrine*), point to Latin America, Southeast Asia, and other parts of the “Global South” where globalization has triggered waves of angry protests and unhinged whole political regimes.

at least, is the conclusion reached by some recent studies using aggregate data to track the relationship between economic openness and political violence.³ Using various empirical measurements—among them the dataset on armed conflict jointly produced by the Conflict Data Project at Uppsala University and the International Peace Research Institute (PRIO) in Oslo—these studies challenge the idea that economic openness in general, and adherence to neoliberal policy prescriptions in particular, leads to more violence. In fact, they find a positive relationship between greater economic openness on the one hand and a *decrease* of politically motivated violence on the other, on the grounds that economic liberalization tends to produce more prosperity and improved governance, at least over

the long term.⁴ Based on these studies, the “liberal peace thesis,” first coined by Immanuel Kant, still seems to hold.⁵

Globalization opponents are quick to challenge these results, pointing to numerous instances where economic liberalization has widened ethnic or social cleavages, facilitated the looting of natural resources fueling civil wars, produced riots over food shortages or deficient public service provision, or had other nefarious consequences. Again, there is some evidence to back up these claims. Amy Chua (2004), for example, describes how economic liberalization in Malaysia strengthened the hand of the already market-dominant Chinese minority, but also produced an anti-Chinese backlash by fueling simmering resentments. Paul Collier and his collaborators, certainly no anti-globalization crusaders, show how economic liberalization and bad governance help unscrupulous “war entrepreneurs” to take control of natural resources, sustaining and prolonging civil conflicts that would otherwise be short-lived (Collier, 2007, pp. 17ff.). Anti-globalization activists have documented the many forms of popular resistance against IMF-inspired austerity programs, culminating in the infamous “IMF riots” of the 1980s in response to reductions in food subsidies and public services (McMichael, 2004, pp. 137ff.). More recently, the “water riots” in Bolivia and elsewhere centered on privatization programs that threatened to exclude a large share of the population from public service provision.⁶

Dialogue between these two camps, when it happens, tends to be sterile and unproductive. In part, this is due to some fundamental differences in approach that have proved hard to bridge. Those who see globalization as broadly positive tend to argue that certain difficulties can be expected with change processes of this magnitude,⁷ but that they do not invalidate the basic trend. Globalization opponents, by contrast, not only question the idea that globalization is a force for good, but also attack the empirical methodology used by their opponents for missing out on the day-to-day reality experienced by poor and marginalized people, particularly in the developing world.

This book presents a challenge to both perspectives, focusing squarely on the concrete impacts globalization has had on the ground. The individual contributions, each in their own way, make a forceful case that—quite apart from the fundamental, sometimes almost philosophical questions driving much of the globalization debate—far too little is known about these impacts and that new evidence is desperately needed. In order to keep the analysis

manageable, the authors narrow globalization down to its *economic* aspects, but argue that the resulting changes can be observed both in the economic and political realms and are best captured by the notion of “neoliberalism.” This results in a fine-grained, comparative analysis of the impacts of economic globalization the political incentive structure for violent conflict and war making. The analysis proceeds in two main steps: examining aggregate, global patterns using quantitative methods, then following particular trajectories in a set of qualitative case studies from Latin America (Colombia, Peru, El Salvador, and Guatemala) and sub-Saharan Africa (Côte d’Ivoire, Sudan, and Uganda). The findings demonstrate that, contrary to both the “utopian” and “dystopian” views, the shift to neoliberal policies has produced widely diverging outcomes in different contexts. Sometimes helping to end violent conflicts, these changes can also heighten the conflicts’ intensity or otherwise transform them, and they can bring about new—especially criminal—forms of violence.⁸ The case studies pursue this line of enquiry but drill deeper into specific country contexts, adding important insight and nuance.

The book’s findings are remarkable in several respects. Most importantly, they show that neoliberalism hasn’t created the world *ex novo* but instead, as a result of its interaction with previous regimes, produced ruptures and continuities. These effects can be deeply contradictory and are intimately linked with contextual factors, especially when neoliberal reforms are partial, incomplete, and end up coexisting with other, more established ways of doing things. As the case studies in this book demonstrate, this is far more common than one might expect, and it stands in stark contrast to the ideology-driven certainties of much of the globalization debate. In Côte d’Ivoire, for example, the demise of the state-centered economic model around the Caisse de Stabilisation des Produits Agricoles (“Caistab”) did not lead to the hoped-for gains in efficiency and transparency, but instead to an unwieldy mix of formal, informal, and illicit arrangements that proved particularly hard to navigate for small agricultural producers, who were supposed to benefit the most from neoliberal reforms.

Another key insight is that neoliberalism is not a one-way street and that changes in the economic realm interact in often unforeseen ways with those in political, social, and other spheres. The chain of causality can go either way, often simultaneously: while it is true that economic changes can bring about political ones—opponents of neoliberalism rightly contend that it can weaken already feeble states and further undermine their capacity to shape and enact policy—

political developments can have a deep impact on the economic landscape. For example, in Peru, El Salvador, and Guatemala, the settlement of the armed civil conflicts *preceded* the enactment of neoliberal policies, in fact making these possible, not the other way around. Far from being a predictable, let alone inevitable, consequence of economic change, political events opened the door to subsequent shifts in economic policy that otherwise may not have been possible.

Closer to this collection's core theme, the studies' findings confirm that neoliberalism can result in more conflict and, perhaps more importantly, that it can produce new and different forms of violence. There can be little doubt that in Central America, for example, the introduction of neoliberal economic policies contributed to further weakening of already feeble states, which have been unable to put a stop to the growing public insecurity plaguing their societies. In Côte d'Ivoire, as mentioned, neoliberalism facilitated the siphoning off of agricultural resources to fuel the civil conflict, or just to line the pockets of powerful individuals. And in Colombia, neoliberal transformations allowed armed challengers to seek institutional basis within the state apparatus itself, perhaps heralding new forms of structural violence. At the same time, however, the studies in this book also suggest that neoliberalism can help bring ongoing conflicts to an end or prevent new ones from erupting; it allowed, for example, Uganda's Museveni to appease his political opponents and stave off popular dissent to his rule. Contradictory and counter-intuitive at first glance, these findings open new avenues for debate and investigation. They also highlight the need for innovative and targeted policies to confront challenges that so far have been ignored, dismissed, or not even recognized.

Shining a spotlight on the complex linkages between neoliberalism and political violence, and based squarely on evidence, the book's contributions are as rich as they are diverse. They pinpoint some of the concrete underlying mechanisms, at macro and micro levels, and they do so in a comparative fashion, drawing on cases from both sub-Saharan Africa and Latin America. By including both Southern and Northern authors, the book stands out in a debate where Northern voices and concerns still dominate. If nothing else, the book proves that highly complex issues such as neoliberalism and political violence are best approached from a truly global perspective.

The book is divided into three main parts, framed by this introduction and a conclusion. Part One sets out the comparative

framework, arguing that neoliberalism is a worldwide, almost universal phenomenon that is associated with political violence in distinctive ways, and can be studied empirically. Francisco Gutiérrez Sanín, in his opening chapter, presents neoliberalism as a contested term. The chapter defines the concept, departing from Polanyi's famous dictum that the "great transformation" to a market economy can produce brutally violent outcomes. Showing that neoliberalism has in fact been global and all-encompassing, the chapter also stresses that its outcomes have diverged widely, both in terms of time and space. Contrary to liberal utopias and dystopias, neoliberalism has produced different equilibria, particularly with respect to violence and peace. The chapter goes on to discuss the underlying mechanisms, examining how neoliberal transformations, by altering and perturbing fundamental institutional arrangements, can modify the constraints and opportunities for potential challengers. These effects can be deeply contradictory, for example, by combining greater stability with deepening injustice and inequalities. At the same time, there are clearly observable impacts on conflict onset and continuation, as well as emerging conditions for, possibly, new confrontations.

The following chapter, by Jairo Baquero Melo, is built around a macro-analysis of economic globalization and conflict. It demonstrates that the aggregate landscape resulting from broad-based quantitative studies can defy what is often considered "common sense." Specifically, the data shows that neoliberalism has not given origin to a conflict-less paradise, but that it has not triggered havoc either. Neoliberalism, according to this study, is strongly associated with war termination but, on the other hand, it also sometimes increases the intensity of conflict, or the likelihood that other forms of violence will emerge. The chapter also probes problems such as regional and temporal variations.

Part Two begins with Frederick Golooba-Mutebi's piece on economic liberalization and politics in Uganda, the first of three chapters addressing sub-Saharan Africa. Golooba-Mutebi contends that having resisted neoliberal reforms for a long time, the government of Yoweri Kaguta Museveni discovered at the end of the 1980s that embracing these reforms could help stabilize and rebuild a country devastated by war and predatory governance. As external resources started to flow into Uganda, effective social policies (such as in education) became possible, and the regime now had sufficient resources to buy off its opponents. While supporters of neoliberalism expected economic liberalization to go hand in hand with greater

political freedoms, and its opponents predicted that in the absence of such an opening political violence and repression would mount, the Ugandan model confounded all observers by combining relative pacification, open markets, and a non-democratic political regime. What made this possible? Essentially, Museveni's ingenious use of foreign resources to craft a clientelist, regionally-based answer to the internal tensions of his country, simultaneously increasing social investment. While successful in the short run, the long-term sustainability of this model remains in doubt.

Richard Banégas, Alain Toh, and Yao Kouman Adingra's chapter addresses the political economy of the crisis of citizenship in Côte d'Ivoire. Considered a showcase of successful state building in Africa until the late 1980s, the country fell into disarray when it embarked on a twin path of economic and political liberalization. The capacity of the state to adjudicate between competing interests broke down, and in the midst of political confrontation open violence flared up and divided the country politically, ethnically, and regionally. The conflict became about the very foundations of nationality and citizenship: it is justly termed an "identity war." But many of its drivers are rooted in the structural reforms that undermined the previously robust intra-regional pact, unraveling the very fabric of the country that gave life to its constitution and political regime. In particular, the demise of the Caisse de Stabilisation was a fatal blow to these regional arrangements. Going back further, the conflict in Côte d'Ivoire has its roots in the structural contradictions of its "plantation economy." Starting in the 1930s, these contradictions began to dominate political identities, demographic and territorial patterns, and ways of governing. Revealing a familiar tension between continuity and change—in particular, around the question of how to integrate rural economies with global markets and what role they should play in shaping developmental states—the problem became more acute with the later introduction of neoliberal policies.

Roland Marchal and Einas Ahmed's chapter on the "many uses" of neoliberalism in Sudan rounds out the second part of the book. It shows that the ruling elites' embrace of neoliberalism did little to quell the civil conflict in the country and even less to produce a political opening of the regime. Instead, the simultaneous adoption of neoliberalist policies and the Islamization of the public sphere helped these elites to sweep away the last vestiges of colonial rule and the societal order that had supported it, all the while strengthening their own control over the state apparatus. The relations between the state, the new economic elites, and the outside world were also

profoundly changed, and were helped along but not caused by a growing reliance on oil revenues. This situation has proved to be immensely de-stabilizing, even spreading the conflict to peripheral regions of the country that had been previously relatively unaffected.

Francisco Gutiérrez Sanín's piece on the restructuring of violence in Colombia is the opening chapter to Part Three, anchoring three case studies on Latin America. Gutiérrez Sanín argues that the Colombian case is unusual for Latin America. Neoliberalism in Colombia was introduced gradually, instead of by "shock therapy," and it was never the most pressing political issue. In fact, it failed to excite political tempers in Colombia as it did elsewhere, and the country's long internal war was triggered by problems that clearly predate the introduction of neoliberal reforms. Is there, then, a story to tell about the relation between neoliberalism and the armed conflict? The chapter shows that there is, and actually a very important one. Neoliberalism did not cause the conflict, but it did fundamentally transform it by upsetting established institutional arrangements. Three broad areas are examined: health policies, land distribution, and decentralization. In all three, the new institutional arrangements conceived by neoliberal reformers have changed the set of opportunities not only for political challengers but also for paramilitary groups. This has affected not only the way in which the war is waged, but also the nature and availability of peaceful settlements—which, contrary to liberal utopian thinking, can combine economic openings with political closures, and create more, not less, room for organized crime.

The following chapter by Ramón Pajuelo Teves on Peru provides a good example of neoliberal reforms leading to peace, at least at first glance. Bad governance and a closed economy, society, and polity permitted the development of a virulent internal conflict that cost the lives of nearly 70,000 Peruvians. With the ascent of a new political leadership in 1990—Alberto Fujimori and his entourage—subversion was quelled, and one of the most drastic neoliberal programs in the world produced years of strong economic growth. In the process, democracy was toppled, but due to a combination of internal and external pressures, Fujimori was replaced by genuinely democratic leaders, who maintained the liberal orientation of the economy. While this pre-empted the resurgence of the subversive challenge, the author points to a series of unresolved challenges, among them persistent poverty and deep regional disparities, that may well breed new sources of violence.

Contrary to Peru, Ricardo Peñaranda and Mauricio Barón's chapter on Central America describes how the civil wars in El Salvador and Guatemala came to an end through peace agreements, not outright victory by the state. In both cases, violence reached very high levels, and the insurgent movements successfully insisted on balancing economic liberalization with political liberties and social reforms. This was especially true in Guatemala, at least initially, even though the ambitious peace accords were never fully implemented. While both countries are examples of peace-making through economic and political liberalization, the outcome is more problematic upon closer scrutiny. Neoliberal policies fell short of the desired effect, and only a high level of external remittances—dependence on such external inflows being a problem in and of itself—prevented a certain economic crisis. Furthermore, foreign investment accelerated the privatization of security, which added to an already chronic and severe crime problem resulting from the end of the armed conflicts.

The conclusion by Gerd Schönwälder draws out some common threads—as well as some contradictory findings—from the individual chapters. It identifies avenues for future scholarship and again highlights the potential importance of the book's findings for practical policymaking.

NOTES

1. This book is the result of a research project supported by the International Development Research Centre (IDRC) in Ottawa, Canada.
2. Gerd Schönwälder is Director, Policy and Planning, at the IDRC. Francisco Gutiérrez Sanín is a researcher at the Instituto de Estudios Políticos y Relaciones Internacionales (IEPRI)—Universidad Nacional de Colombia.
3. See, for example, Hegre, Gleditsch, and Gissinger (2003), or more recently, Bussmann and Schneider (2007).
4. It is worth noting that the relationship is more complex and that trade in particular can also foster conflict. See, for example, Oli Brown, Mzukisi Qobo, and Alejandra Ruiz-Dana (in Khan, 2008).
5. Recent contributors to this debate have stressed that the underlying relationship is not automatic, highlighting the importance of intervening variables such as the quality of governance and political institutions. See, for example, Paris (2006), Hasenclever and Weiffen (2006), and Richmond (2006).
6. See also the research produced by the IDRC-sponsored Municipal Services Project (MSP) in South Africa: http://www.idrc.ca/en/ev-5490-201-1-DO_TOPIC.html.
7. Bussmann and Schneider (2007), for example, while not questioning the idea that economic liberalization is beneficial in the long run, show that greater economic openness does increase the risk of violence in the short and medium term. They argue that just like democratization, economic liberalization produces tensions

between winners and losers that make violence more likely, especially in the absence of effective governance arrangements that could cushion shocks and facilitate the necessary adaptation processes.

8. Including some that are reminiscent of the “new wars” described by Mary Kaldor (2007), where traditional warfare involving states intersects with organized crime and massive human rights violations.

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Part One