

Section introduction

funding war or facilitating peace?

cross-border trade and natural resources

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This section of the publication applies political economy and environmental lenses to the challenges of cross-border peacebuilding. Case studies in this section look at sharing scarce fresh water resources among communities in Israel, the occupied Palestinian territory and Jordan; trading for peace across the Line of Control in Kashmir; regulating blood diamonds in West Africa; mineral trading in the African Great Lakes; and economic integration in the Maghreb. Using I William Zartman's terminology from his paper on *Boundaries in war and peace* in this publication [see page 11], the case studies in this section concern disputes across boundaries, rather than about them: ie where tensions relate to the territory behind the boundary, not the boundary itself.

Not all of the case studies have significant cross-border economic or environmental conflict dynamics – although such dynamics are fundamental to the west and central African examples. Rather, the common denominator among the case studies relates to the cross-border peacebuilding response, and the premise that economic or resource cooperation across borders in pursuit of a shared goal – access to end markets for local traders, regional economic interaction to promote development and integration, or better management of shared natural resources – can act as an entry point for peacebuilding; for example, opening trade channels that contribute to building trust, or establishing interdependencies across borders that provide incentives for cooperation and collective action and increase the costs of war.

Such a premise presupposes a collaborative approach and a positive result for all involved. But years of research have shown that cross-border economic cooperation can also fuel violent conflict if profits are used for war, as was the case with blood diamonds smuggled out of Sierra Leone, or is still the case in

the eastern Democratic Republic of Congo (DRC) regarding proscribed mineral trading.

The case studies reveal that a peacebuilding outcome cannot be assumed. Initiatives need to be context-specific and should mainstream a peacebuilding objective in order to maximise effectiveness and impact, for instance so that increased cross-border trade extends beyond economic activity and addresses the needs of peacebuilding.

Of course, there is no shortage of examples of disputes *about* boundaries with significant cross-border economic dynamics. For example when the existence of a border is disputed by warring parties and its legitimacy is denied by one of them – such as in Georgia/Abkhazia, Georgia/South Ossetia, Serbia/Kosovo, or Azerbaijan/Nagorny Karabakh. In these types of situation, maintaining the border can become a political goal. If that maintenance then begins to generate an income for a particular armed group or parasitic clandestine activity, the political goal can be reinforced by economic interests.

Regional economic development can promote mutual interdependence. If both sides of the border benefit, this can raise the threshold for mobilising for war and increase the stakes in peace, or at least some form of stability. The case study below on the situation in the Maghreb [see page 96] highlights the need for regional cooperation, in particular between Algeria and Morocco, as a conflict prevention measure among the countries and territories of the region.

Economic development in conflict-affected regions should not be confined to one side of the border. The resulting asymmetry may fuel the conflict or maintain the conflict status quo – as is the case between Israel and Palestine; or may simply be

counterproductive to rapprochement efforts – as between Rwanda and the DRC.

Global *environmental challenges* – such as climate change, energy, disease, or pollution – are increasingly linked with conflict and peace dynamics that transcend state borders. More proximate, regional environmental concerns, such as access to water or natural resources, can provide important lessons for the types of cross-border peacebuilding challenge that are the focus of this Accord publication.

Sharing resources such as water can establish interdependencies to provide incentives for cooperation and collective action across political boundaries and ethnic divides. However, the case study on sharing water in the Middle East [see page 93] illustrates how cross-border cooperation at local and technical levels does not translate easily into higher political spheres.

Cross-border trade in high value natural resources such as minerals, timber or oil can complicate regional peace and security. As the case studies on mineral trade in the DRC and the role of conflict diamonds in West Africa show [see pages 85 and 90], better regulation of mineral trade across borders can help to de-link it from a regionalised war economy and can open opportunities for trade to contribute to peacebuilding and development. Crude analytical linkages between mineral trading and cross-border conflict dynamics lead to equally crude and ineffective policies, and to further corruption and criminalisation.

Cross-border conflict economics

Cross-border economic activity that fuels conflict. Cross-border licit or illicit trade can resource warring parties, in particular if one party controls parts of it. If the border crossing generates a separate income and the 'border' element of the trade becomes an economic activity in itself, whether smuggling, customs levied by armed border guards, employing additional security, drivers, or porters; this can feed into a cycle of usually low level, but persistent violence: enough to maintain the conflict status quo and the nature of the border crossing, but not to disrupt the trade.

Cross-border economic activity that is distorted by conflict. When a border closes down as a result of violence, existing legitimate commerce can be disrupted resulting in higher financial costs to all concerned. This is especially prevalent in economically integrated areas or areas of high mutual dependency. Closed borders can delegitimise economic activity by creating opportunities for war profiteers, including in situations where conflict creates new borders, such as in the

former Yugoslavia or the Caucasus. This goes beyond payments to smugglers and border guards, to incorporate 'normal' trade in legal goods by local populations trying to survive and cope, as legitimate cross-border trading is subsumed within a cross-border war economy.

Selling goods – let's say apples – across a border can resume even in war when border guards or other 'gatekeepers' allow it. Cross-border trading may now incur a heavier 'tax', which can both feed into the war economy and distort prices. The apple seller is then absorbed into the system through paying taxes that become the market norm and are ultimately transferred to consumers through higher prices.

Cross-border economic activity that inadvertently has a positive impact. The sharing of resources, the development of a collective identity among businesspeople, the prevention of violence from breaking out due to the economic necessity of stability – all have been registered as side-effects of cross-border economic cooperation. The question remains how to turn these by-products into 'unintended' peacebuilding outcomes.

Make money not war

Some of the initiatives described below were designed as explicit mechanisms for peacebuilding. Others were intended to bring economic or environmental dividends first, with a peacebuilding outcome more coincidental. Either way, promoting cross-border economic cooperation or resource-sharing as a means to build peace can bring tangible benefits. Among the most visible and immediate are creating or strengthening markets, restoring livelihoods or resuscitating environments, creating 'pockets of stability', providing employment for people who might otherwise be mobilised by armed groups, or more generally creating a 'peace constituency' by increasing stakes in stability.

The peacebuilding community has recognised the potential of contact through trade or resource-sharing to build or rebuild trust, to breakdown stereotypes, and to begin laying the foundations for future interdependency and providing incentives for cooperation and peace.

Business often responds quicker across borders than diplomacy or civil society. Cooperation across borders does not necessarily stop during fighting, but in some circumstances can increase as the economy and businesses adapt to conditions of war.

Unemployment due to war increases the numbers of people trying to cope through trade – in practically everything. Large

markets can skirt or span borders – such as the Red Bridge and Red Light markets in Georgia and Liberia, or the Arizona Market in Bosnia-Herzegovina – trading goods from plastic beads to carpets or petrol. The people-to-people contacts in these markets are essentially a by-product of necessity and are testimony to the business community prioritising opportunity over animosity or stereotypes.

A major challenge is how to mainstream peacebuilding in initiatives with multiple mandates. The profit versus peacebuilding components of cross-border trade is illustrative. If one imagines a ‘see-saw’ with profit at one end and peacebuilding at the other, it is very hard to maintain equilibrium. Trade is driven by free markets and financial interests, whereas the peacebuilding agenda has to be manipulated or pushed, at least in the initial years, through concentrated effort by donors and peacebuilders alike, and so the ‘freedom’ of the market appears to contradict the ‘regulation’ of the peacebuilding agenda.

Moreover, donors’ investment can yield a slow return with low visibility and therefore may seem less profitable than the trade side of the see-saw, both for those who are part of the initiative and for outsiders. Part of the original intent and focus of the intra-Kashmir trade initiative, for example, was to build confidence across the Line of Control (LoC). Yet individuals were not allowed to cross the LoC, as goods were traded through intermediaries, and so the balance appeared to tip towards economic rather than peacebuilding benefits. But the manufactured and restricted nature of the trade has also placed severe limits on its profitability as an economic exercise. [see page 81]

Professor Zartman’s article on the importance of cooperation in the Maghreb region [see page 96] explores the potential of regional economic and resource cooperation as a conflict-prevention measure: mutual trade can promote welfare and well-being; and regional collaboration on water scarcity can increase interdependency, raising the threshold for war between regional states. But if the advantage is so obvious, why has it not been adopted? The answer lies in Algeria’s ability to ride alone on its oil wealth and on the political rivalry that leads it to cut off its own benefits to spite its foes.

Mineral trading in the African Great Lakes has undeniable links to a regional war economy. So far the predominant response has been to try to stop the minerals exploitation and trade all together. But not only are there major question marks over the viability of such a strategy, but regional conflict dynamics are much more complex and the mineral trade is not the sole or even primary driver of violence in the region. Such blanket

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responses ignore both other major conflict dynamics, as well as potential positive, developmental benefits of trade.

The case studies below also expose challenges to connect trade or resource-sharing with the diplomatic sphere: ‘trickle up’. The environmental imperative of water quality degradation has prompted cooperation between affected communities in Israel, Jordan and the Palestinian territory as part of a civil society ‘Good Water Neighbours’ (GWN) initiative [see page 93]. Community cooperation to improve access to clean water has succeeded in forging ties where diplomatic negotiations between capitals have failed. But although the GWN project tries to reach out to local mayors as a means to link up to political discussions, decisions over water cooperation are taken at a much higher political level.

Conclusions for policy

- Cross-border trade can provide an entry-point for peacebuilding. But to realise the peacebuilding potential of cross-border trade, peacebuilding needs to be prioritised as a strategic objective. In Kashmir, cross-border trade has helped to promote cooperation that can be channelled to help strengthen Kashmiris’ collaborative peacebuilding agency. The newly established Joint Chamber of Commerce in Kashmir provides a structure to develop and cohere the economic and peacebuilding functions of the cross-LoC trade initiative.
- Business often responds quicker across borders than diplomacy or civil society. Economic cooperation across borders can sometimes increase during fighting as the economy and businesses adapt to conditions of war. The peacebuilding community has recognised the potential of such contact through trade to build trust, break down stereotypes, and lay the foundations for future interdependency.
- Cross-border trade in high value minerals is not an inevitable or exclusive driver of violence. In eastern DRC weak governance, not trade, lies at the heart of the conflict and is key to resolving it. Unworkable efforts to squash the trade ignore its potential developmental dividend and exaggerate its significance in relation to other key conflict

drivers and dynamics. Better regulation could help to legitimise the mineral trade and channel resources for peacebuilding. Regulating the diamond trade in West Africa through the Kimberley certification scheme has helped to de-link it from a regional war economy.

- Water resource sharing at the community level in Israel, the occupied Palestinian territory and Jordan has enabled cooperation where diplomatic channels have been blocked. But 'trickle-up' of local or technical cooperation to higher political spheres has not followed. For this to happen, change at the individual level needs to be sustained over time, in order to have an impact on the individuals' behaviour and to gradually extend outwards horizontally to promote change at the socio-political level.
- The economic benefits of peace can build a potent 'business case' for peacebuilding. The establishment of a free trade area among the countries of the Maghreb could

yield significant economic gains for the region. Research shows that integration occurs when it becomes a political party platform across potentially integrating countries. In the Maghreb, a less formal, NGO-led initiative could highlight the benefits of cooperation to decision-makers, tapping into extant regional social cohesion to counter centrifugal regional political dynamics.

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