Trade, Aid and Security
An Agenda for Peace and Development

Conclusion: Prospects for Peace and Progress
Mark Halle

Purchase the book from Earthscan at http://www.earthscan.co.uk/?tabid=357


Edited by Oli Brown, Mark Halle, Sonia Pena Moreno and Sebastian Winkler

Foreword by Lloyd Axworthy
It is a truism to say that everything is interconnected, but the events of the past decades have driven this lesson firmly home. Or they should have.

On an intellectual level, most trade policy professionals acknowledge that trade liberalization can restrict development policy space, hinder economic diversification and undermine political stability. But, when the trade rules are being crafted and negotiated, it is the same old mercantilist game that predictably plays out. Lip service is paid to development needs, and trade deals are still largely forced on poor countries, wrapped in arguments that the resulting economic growth will allow them to address whatever development problems trade openness has generated. Trade theory argues that trade liberalization is good. But if the evidence suggests a more mixed picture, it is too often blamed on imperfect application of the theory, rather than any inherent fault the theory might contain.

We know that unless aid projects take into account the macroeconomic and political realities within which countries are forced to operate, the benefits they bring are often unsustainable – if not downright counterproductive. Yet aid policy is often the preserve of one ministry and economic policy of another. It is well known that pressing short-term foreign policy considerations often derail carefully crafted aid programmes aimed at poverty alleviation or rural development. What is less well known is how often the potential for aid success is sapped by parallel macroeconomic policies pursued by the same donor country directly, or through surrogates in the World Bank or the IMF. These same institutions and governments have commissioned countless studies that show how aid policy can be made more coherent and how it can reinforce other policies. Unfortunately, most of these studies remain on the shelf.

Worse still, we know that the benefits of both trade and aid can disappear rapidly in times of conflict, or even of heightened social tension. Yet we pay
little attention to the possibility that aid and trade interventions might aggravate social tensions and make conflict more likely. We know that conflict is a failure of our systems of social and political relations, the consequences of which can set back development by years, if not decades. But our approaches to both do not consider the avoidance of conflict as a solid foundation without which nothing lasting can be built.

We have learned a great deal in the past decades, but too few of the lessons have been put into practice. We know the reasons; most professionals in the field of trade policy, development assistance and conflict management are hopelessly overworked, and struggle even to run through the simplest checklists when faced with a new and urgent challenge. In responding to the pressures they face, they tend to take solace in the community of their peers, with whom they share a culture, a vocabulary and a common understanding of the situation. Taking the time to cross the institutional borders and to explore the culture, vocabulary and world outlook of another knowledge community, to mine it for valuable lessons that can be taken back and applied, is a rare luxury.

I well remember some years ago, in the wake of a number of devastating hurricanes that swept across Central America, causing terrible destruction and loss of human life, bringing together experts from three fields—disaster response, environmental management and climate change. The disaster response experts had honed the art and science of meeting urgent humanitarian needs with skill and efficiency. However, the growing frequency of natural disasters and the realization that their impact is aggravated by avoidable human actions had eroded the motivation and confidence of this sterling group of professionals.

The environmental management community had studied in depth the link between healthy watershed forests, wetlands, coastal mangroves and coral reefs on the one hand, and the human impact of some natural disasters on the other, and were convinced that sound environmental management can go a long way to mitigate disaster. Yet once the humanitarian crisis receded, they were highly discouraged to see environmental management slip once again down the priority list to take its usual place as a marginal concern, even if the next disaster would prove that it was in fact the contrary. And the climate change community warned that natural disasters were likely to grow both more frequent and more intense but were also deeply frustrated by the lack of political will to tackle the roots of the problem.

Each community found in the other not only rich and relevant experience, but also insights, tools, approaches and practices that could greatly improve the impact of their own work within their own sectors. They realized that by coordinating the planning, and understanding the actions, of the different communities, their results would be greater than the sum of the individual interventions. And they realized that, in doing so, they were far less likely unwittingly to take action that might undermine the aims of the other community. The linkages between the different areas of endeavour proved interesting and relevant, and offered a new way of approaching common problems.

This is the central point— that sustainability requires a holistic view. Partial views may be compelling in their own terms, and they may achieve a clear
short-term benefit, but through their isolation they carry with them the seeds of long-term failure.

This volume is about these linkages. We have sought to demonstrate the importance of the links that bind trade, aid and security and to underline where in the complex set of interactions the linkages are most significant. We have sought to show how the relationships play out, how they influence one another, and how benefits, in a situation where linkages are ignored, can not only come unstuck, but in fact also aggravate an already difficult situation. On a more positive note, we have tried to show that ‘getting it right’ is not only possible, it is also not necessarily difficult.

**Trade, aid and security – locating the positive synergies**

In examining the triangle that these three topics form, it is clear that there are two-way interactions along each axis. Trade policy and practice can reinforce security, just as it can destabilize countries and create conditions in which conflict thrives. Aid can be deployed – and the debate on aid-for-trade suggests that much of it soon will be – in ways that give countries a better chance of benefiting from trade openness. But it can also be used to promote policies that, in today’s world, leave the country worse off than it was before, adding to social displacement and stirring together the ingredients for conflict.

We have not, in this volume, treated each of the axes with equal attention. We have tended to look, instead, at how both trade and aid policy, on their own or in combination, affect prospects for conflict. We have looked at conflict as an avoidable result of misguided policy and asked ourselves how better outcomes might, in future, be secured. We have, it is clear, looked at the linkages through a conflict lens, aiming both to understand how to avoid moving down the path towards conflict and, more positively, to look at the interventions that will lower social tensions and render conflictual outcomes ever less probable.

We have chosen this approach because behind the paradigm, the mechanics of which we are trying to understand, lays the overall goal of sustainable development. We regard security as a necessary precondition to sustainable development – indeed, its portal. Where security and stability exist, the cooperation, positive interactions, and investment necessary to put in place the conditions for sustainable development can be gathered. When social tensions mount, trust is undermined, interactions turn sour, cooperation becomes more difficult, and nobody is prepared to invest in a future in which benefits will be slow to materialize. Where armed conflict breaks out, positive interaction and cooperation is replaced by violence, and resentment often prevents trust from rebuilding, even long after the conflict has ended.

We have chosen to focus on aid and trade in relation to security because trade and aid interactions make up a significant proportion of the links that bind developed and developing countries. Avoiding and resolving conflict – in particular conflict that spills over national borders – has risen steadily up the
foreign policy agenda of the rich aiding and trading countries. In dealing with these issues, beyond the soft option of diplomacy and short of the extreme hard option of military action, economic relations offer the most viable tool to address how these interests are defined and defended. Aid and trade shape those relations.

Trade relations have long been regarded as a tool for peace and for building mutual understanding, but they hold the potential for coercion – to punish a trading partner that has acted contrary to one’s interests. Even today, trade and other sanctions are regarded as the tool of choice in the international community when the military option is unfeasible or undesirable. But it can also prove counterproductive: misuse of the ‘trade tool’ through ill-considered, mercantilist protectionism was one of the contributing factors in triggering the Great Depression and in sending the Western world down the path to extremism and, eventually, World War II.

To a lesser extent, aid has served as an arrow in the quiver of those countries seeking to defend their national interests in the poor world. It is not to impugn the motives behind overseas development assistance to point out that, over the years, there has been a disturbingly high correlation between national political and economic interests and the pattern of aid delivered. To a lesser extent than trade (but not by much when the entire multilateral lending mechanism is included) aid has served as a tool for foreign policy ends.

To use both aid and trade as instruments in pursuit of the national interest is not illegitimate as such. In its execution, however, it has too often stirred social tensions and, in the most extreme cases, contributed to conflict.

But the more we learn about the causes of conflict, the less excusable it is that we were not willing to address these seriously or in good time, preferring (at least by default) to pick up the pieces afterwards. While peacekeeping is a necessary response to shoring up a tenuous peace once a conflict has been concluded it is, in terms of the broader human goals, nevertheless a response to a failure. If peacekeeping is necessary, it is because the peace was not kept. If the peace was not kept we must conclude that the policies, institutions and mechanisms for early warning did not work or were ignored. The more we learn of the long-term negative consequences of conflict, how seriously it undermines sustainable development and how expensive it is in financial, political and social terms, the less we can accept that the linkages presented in this volume can be given a low priority until attention to them becomes unavoidable.

Security is a precondition for successful trade and aid, just as it is for sustainable development. Without security, aid is unlikely to have a lasting impact, and trade will favour the unscrupulous, the exploitative or the downright illegal. And effective aid and trade policies are essential for cementing a durable peace. Get these right and peace may ensue. Get them wrong, and it is a good bet that all three will suffer. The links are no longer in doubt – poor aid and trade policies contribute to conflict and instability. Illegal trade in natural resources, misuse of aid funds, mismanagement of revenues from both aid and trade, and poor business conduct in fragile states – all have contributed
to growing political instability around the world, as examples from Cambodia to Liberia indicate.

Where things have gone wrong, there is often evidence of compartmentalized thinking – the aid experts concentrating only on the immediate concerns of aid delivery, the trade experts seeking to maximize short-term national interest, and both downplaying their potential to provoke or aggravate conflict. Conflict is something for others to worry about.

We urge the trade and aid policy communities to pay greater heed to the realistic, rather than theoretical, outcomes of what they are proposing, and to consider the range of approaches available to lessen the chance of conflict. Is it correct to exempt the country from a new trade obligation, such as lowering a tariff or eliminating a quota? Or phase it in more slowly? Should it be delayed while the capacity and institutions are put in place to allow the country to benefit from its application? And is aid available to put it in place? Or is it clear that a country’s resistance to the trade obligation is little more than a misguided effort to protect an elite industry or the interests of some politically powerful constituent?

What if the priority were to be defined as the smoothest possible transition to an open economy? What would be the sequence of change and what measures would have to be designed and implemented? And would this process not essentially represent an ideal agenda for the aid community? If so, what are the roles to be played by the different actors in government, civil society and the private sector?

Where to from here?

There are several steps in changing any situation. The first is to understand its dimensions, extent and interactions. The second is to identify the actors whose participation is needed. And the third is to work out the specific decisions, initiatives or agreements needed to effect the change.

We hope that we have convinced the reader that the linkages between trade, aid and security are not simply casual, but that they are instead compelling and current. We have indicated that some of the problems besetting aid, trade and conflict cannot be addressed without reference to one or both of the other fields and that, indeed, there is much to be gained by seeking insights from other disciplines or bodies of experience. We are convinced that compartmentalized thinking, while reassuring within a given fraternity, is, in the end, dangerous.

We hope also to have indicated who needs to participate in the search for the solutions in some of the key areas of action identified. It is clear, for example, that much of the creative thinking on trade, and the future of trade policy, is not emerging from the trade negotiators but from the range of research centres, think tanks, NGOs or business associations that flank, support and criticize them; it is often those exploring the margins of an issue who can best illuminate both the problem and the solution.
Wolfgang Reinicke, in his seminal book *Global Public Policy – Governing without Governments*, posits that much of the significant progress we have seen in the international field comes about through the operation of non-traditional alliances of government bodies, civil society and the private sector coming together for a specific, doable and time-limited purpose. Sometimes, even, the role of the government sector is – as the title of the book suggests – negligible.

Reinicke looks at a range of cases in which a solid step forward was made in addressing a public policy challenge, and seeks to identify the common characteristics of success. He concludes a number of things that are of relevance to addressing the challenges of Trade, Aid and Security. In cases where a notable success was achieved:

- The challenges taken on were specific, limited and time-bound: in other words, success was not achieved in alleviating world hunger, or in stabilizing biodiversity, or in reducing atmospheric carbon. Where it was achieved, it was in providing mosquito nets to rural villages in Botswana, or creating the political momentum to conclude a land mines convention, or finding agreement among stakeholders on the building of a dam, or even agreeing on a certification scheme for sustainably harvested timber or fish.
- The alliance brought together was made up of specific players each of whom brought a piece of the puzzle to the table: the Marine Stewardship Council, which agreed on standards for responsible fishing, was made up of little more than the World Wildlife Fund (WWF), who enjoy broad public trust, and Unilever, the world’s largest fish purchaser, who guaranteed a major impact in the market. In the case of the World Commission on Dams, nothing less than the full range of stakeholders would have done the trick, but they had to be brought together in a neutral and balanced format, and one in which each felt its voice was heard. The Landmines convention was the result of an alliance of governments backed by NGOs fighting to overcome the natural inertia in the system to anything new and radical.
- The alliances united parties each of whom had a stake in solving the problem at hand: the successful networks have not primarily been bargaining forums, but an attempt to create the most complete and most powerful community around the shared objective. That community then sought the best way to prevail over the opposition. The coalition supporting disciplines on fish subsidies in the WTO is made up of a group of countries – North and South – that would not normally come together in that configuration around any other single issue, backed by the patient analytical work of WWF and a range of other NGOs, and allied to the market power of large players like Unilever. The coalition has specific objectives and a clear framework – the WTO negotiations – within which to deploy their power.

Reinicke’s analysis is much more complex than the characterization offered above, but the central message is clear. We cannot solve the challenges of trade liberalization with trade tools alone; we cannot tackle the dilemmas facing aid
delivery with aid tools alone; and we cannot resolve conflict simply by focusing on peace-building techniques. Each requires resources, skills and outlooks that come from other knowledge communities. Each must put together the right combination of actors, set the right goals and act within just the right framework if they are to bring about lasting change.

This is the other message of this volume: we have demonstrated the links between trade and aid, aid and security, and trade and security. They are real, they are compelling, and they are complex. But the answer cannot be to meld the three communities into one happy family, sharing every aspect of every responsibility. This is neither realistic nor even desirable. Specialization and focus are assets in dealing with issues central to one discipline, culture or community. They are not, however, adequate for dealing with the increasing range of issues that lie at the confluence of the different communities and interests.

In seeking to apply some of the lessons learned, some trends are discouraging while others are encouraging. The ebb of multilateralism, the steady expansion of new security threats, and the propensity of the international community to react to crises rather than patiently laying the basis for preventive approaches certainly do not make the challenge any easier.

Other trends, though, are encouraging. There is renewed and quite creative attention being paid to conflict and to conflict prevention, as evidenced by the recent creation of the UN Peacebuilding Commission, improved donor coordination in DAC around conflict-related issues, and better streamlining among the many international organizations concerned with conflict. And there is a significant new openness to ideas in the WTO, coupled with an understanding that the old way of doing things can no longer work and that new approaches – such as aid for trade – are needed.

This volume has broken the trade–aid–security nexus into its essential components, around issues and communities. Each section contains a series of particular recommendations and, where possible, identifies a number of actions that could be taken relatively easily and that would begin to make a serious difference. Where possible, these recommendations are aimed at specific lead actors, and address either principles to be adopted or actions that might be undertaken.

However, our new understanding of the issues covered and of their interconnections suggests that we must be creative and experimental in the solutions we design. Just as we must build bridges to other relevant bodies of knowledge, and seek new institutional means to address unfamiliar problems, so we need to be creative in finding the right combination of actors and resources to bring to bear. We have to look not at our own partisan and self-interested positions alone, but at the way in which we might muster the right coalition of actors around the right set of specific, doable objectives and operate within just the right institutional framework.

If we do this creatively, we can break down the walls that impede sustainable solutions. If we do not, nobody will forgive us for having successfully defended our narrow interests. Nobody will admire us for meeting the objectives of our
aid programme if the programme ends in disarray as avoidable conflict engulfs our target country. Nobody will remember the victory we secured in trade negotiations through our consummate skill and negotiating prowess; instead they will remember the conflict that followed the imposition of an unfair trade deal on vulnerable countries.

General Electric used to issue its employees with a plaque carrying their favourite slogan: *There is a better way. Find it!* We, too, believe there are better ways to do trade and aid and to reinforce the base of security on which sustainable development must be built. We hope that this volume has indicated some of them.

**Reference**