



Repairing the weakest links: a new agenda for fragile states

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- *Fragile states and the concept of state weakness need to be re-examined and placed in the contexts of political economy and global history.*
- *Four apparently disparate cases – Guatemala, Haiti, Kosovo and Angola – show surprising similarities, and highlight common lessons for international state-building efforts.*
- *In all four cases, behind a façade of ‘normal’ state institutions, public life and development are increasingly subject to shadow economies and shadow forces with strong international linkages.*
- *Blueprint remedies for state weakness are not available, but ways forward should include autonomous non-state actors, sustained efforts to build state capacities and restore social fabrics, and significantly improved governance of global flows.*

Project Report Fragile States

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In 2004, senior Western intelligence officials predicted a ‘perfect storm’ of disorder and conflict driven by ‘the continued prevalence of troubled and institutionally weak states’. This storm shows no sign of abating: the Western world’s economic crisis is currently sweeping through Asia and Africa, destroying jobs and assets and further weakening states and societies.

While anxiety over disorder and state weakness looms large in Western capitals – not least those of the European Union – a consensus regarding what drives them has yet to be reached. The whole idea of state fragility is beset by critiques and controversy over definitions, causes and effects. The FRIDE research project acknowledged the contention surrounding the concept of fragility, but adopted a basic notion – a state’s incapacity to exert authority or claim public allegiance within its national territory – as a commonly accepted starting-point for examining issues of effective states and polities. Deeper empirical and comparative analysis is needed more than ever to illuminate the factors affecting the state-building process.

A broader picture

With the aim of exploring better approaches, this paper focuses on case studies of four countries commonly classified as 'fragile' or even 'failed' states. The concept of state fragility can be considered in the empirical light of three related factors: historical roots of weakness in state and political institutions; structures of the domestic political economy and of incentives that corrode states and the market systems in which they are embedded; integration into global economic systems, particularly the flows of money, goods, people and information that control markets, state institutions and political contestation.

A consideration of these factors sets each case study against a broader background than that found in conventional treatments of fragility, 'bad governance' or 'new wars'. Globalisation must also be taken into account in order to explore how the entrenchment of weak state structures has been affected by the global political economy.

It is important to advance debates concerning what Western and international bodies should focus on in these and comparable cases. Western policymakers continue to develop their understanding of and approaches to state fragility; the European Union has recently made an effort to devise a new overarching strategy towards fragile situations, and the OECD has drawn up a list of ten principles for engagement in fragile states. Many experts now recognise that state weaknesses can be better understood in their own historical contexts. Most Western and international agencies therefore emphasise local ownership of state-building programmes, insisting that prevention of institutional weakness is preferable to seeking a cure once pathologies take hold.

The mediocre results of previous 'cures' justify these aims: errors apparent in military interventions in Somalia, Iraq and Afghanistan have made the need for a rethink all the more urgent. Insecurity from state crises has crossed borders in the Mano River region of West Africa, and in Chad/Sudan, Somalia, Pakistan and the Democratic Republic of Congo. It is clear that global peace in the twenty-first century will depend on finding a comprehensive solution to the pathologies of fragile states.

The conventional approach

A range of interpretations of state weakness have emerged among international policymakers. Conventional approaches tend to show:

- priority concern for the security of Western interests. Weak states generate worries about energy security; terrorism; flows of drugs, arms and migrant job-seekers; and lost opportunities for commercial gain.
- a focus on territorial levels, within a country's boundaries, sometimes influenced by regional neighbours.
- a suggestion that Western-style legal-rational governance is a viable model that must eventually replace existing forms of politics in non-Western states.
- a preference for Western aid above alternative policies, sometimes combined with multilateral trusteeship (as in Timor-Leste, Bosnia, or Sierra Leone) or partial outside military control (DR Congo, Cote d'Ivoire).
- a neglect of other Western-backed policies (such as conditionalities that lower revenues for poor states' treasuries, or encourage capital flight) effectively weakening state capacities, sovereignty and legitimacy.

These approaches devalue both historical and global contexts, and ignore key questions. In whose interests and for what purposes were these states created, and by what political processes? What has been the strength of the 'social contract' between governments and citizens? These questions are particularly relevant today, as the

current economic crisis is affecting already-troubled states. This is especially true in countries whose economies have become more outwardly-oriented or 'extraverted', and thus more vulnerable to volatility, or which have been penetrated by alternative sources of revenue and authority, notably transnational organised crime networks. The severe economic turbulence and terrorist attacks of recent history have highlighted the risk of unpleasant surprises caused by globalised political and economic forces: according to the US Director of National Intelligence, the current financial crisis is 'the primary near-term security threat to the U.S'.

Case studies

Political systems in the chosen countries show markedly different ages, social anchoring, institutional sophistication and qualities of human and material resources. As polities based on full constitutions, Guatemala and Haiti date back to the early nineteenth century, while statehood in Angola and Kosovo only took shape in the late twentieth century. However, the histories of all four reveal common patterns:

- Political subordination, nominal sovereignty: for most of the twentieth century, effective political and economic power was in foreign hands.
- Extreme inequality: unequal distribution of assets, incomes and social status, often with strong cultural or racial markers; minimal social mobility.
- Limited political access: stratified social relationships helped consolidate elite capacities to limit access to political and economic power; recent implementation of formal rules permitting party political competition has re-directed some political conflict, but has also added another way of protecting elite interests through an easily-manipulated means of public legitimisation.
- Agrarian decline or collapse: previously viable agrarian systems have declined; rural economies no longer provide much employment.
- Expanding shadow economies: economic transactions take place in large measure (equivalent to well over half the recorded GDP in Haiti and Guatemala) outside banks, formal businesses and government supervision.
- Rudimentary civil societies: the social bases and political space for associational life has been narrow, strongly influenced by outside religious, professional and charitable bodies.
- Repression and armed conflict: political unrest met with armed repression, the intensity of which increased in the last quarter of the twentieth century, largely driven by Cold War and post-Cold War political interests.
- Military interventions followed by weak peace-building: military interventions, supported by the US and involving other actors, were followed by multilateral armed forces; external support for peace-building has been episodic and weak, never focused on satisfying popular priorities for employment, improved living conditions and social services.

A focus on socio-political forces at territorial levels, and their interplay with factors at work at the regional and global levels, reveals other patterns of resemblance.

Guatemala

In 1996, decades of open conflict officially ended with a peace accord. Despite this, the prospect of a 'political contract' between citizens and the political class is fading. Public politics continue to decay behind a pseudo-democratic façade. Landed, commercial and security oligarchs have re-consolidated power over national politics largely due to the triumph of a 'doctrine of a small state, presiding over a market-friendly, high-employment society of self-improvers', to quote the FRIDE paper on Guatemala; the rise of narco-trafficking and the protection it

effectively enjoys from key figures in politics and security; and the proliferation of other criminal activities, which have political repercussions. An elite political pact supported by external interests has curbed the collection of taxes, both on domestic and on external transactions, further limiting investment in public goods and services and eroding the legitimacy of the state and political class. Because of the current financial crisis, Guatemala's gamble on full economic openness and labour migration to the north has exposed the country to further economic setbacks.

Haiti

Haiti is commonly ranked among the world's ten most fragile states and has seen no decisive end to its long-running conflicts. However, the 2004 arrival of a new UN peace-keeping mission (the seventh since 1993) brought some degree of stability. Coercion and threats mediate relationships between the state and citizens more than electoral politics, the collection of taxes or the provision of public services. Overshadowing the state's public sector services are private ones, from health to security to education, and informal institutions of justice, including armed gangs. Drug trafficking and money laundering continue to increase, and corruption of the police, judiciary and political class increase in parallel. Nominally sovereign, Haiti's political elites actually share power with the UN and other foreign agencies. Under foreign influence, the economic model is of a light and cheap public sector and economic openness. This brings attendant risks of dependence on aid budgets; remittances; fluctuating prices of vital imports; of minimal public services and an impoverished sense of public rights and duties.

Kosovo

In 1999, US-led military and diplomatic forces ended a brief war and ushered in international trusteeship based on a de facto division of the territory into Albanian- and Serb-speaking zones. Formal democratic processes – culminating in self-proclaimed independence in 2008 – have gradually established the scaffolding of a constitutional order, although this lacks unanimous international recognition. But a deeply impoverished, job-scarce, atomised society held together by clan alliances lacks a solid foundation for a citizen–state political contract. Behind the formal economy of foreign aid and remittances is a longstanding and growing shadow economy managed by criminal gangs and dominated by illicit trade and human trafficking. Even more important to Kosovo's political economy are flows of revenues from the privatisation of public assets and clan-based concentrations of economic power. As with illicit trade, these enjoy the protection, if not patronage, of key public officials. Continued dependence on donors, the significant presence of international bodies, widespread corruption and the perpetuation of 'disorder as a political instrument' point to grossly unequal (and partially criminalised) influence over the state and politics, and declining public trust in them.

Angola

Subject to open conflict for most of the twentieth century, Angola has seen virtually no warfare and surprisingly little criminal violence since 2002, when the death of a Western-backed warlord brought peace. Heir to an oil boom, Angola's ruling elite has consolidated its domestic authority and global standing through skillful use of patronage and profitable alliances with outside financial, technical and military interests. Inherited deficits in human and organisational resources combined with current public policy have left Angola with weak and corrupt public services. These services are losing ground to a development model focusing on private solutions to elite needs and on capacities for repression and manipulation of public opinion. There has been a small improvement in physical and economic security for ordinary citizens, but an inwardly-oriented developmental state and social inclusion do not appear on the elite's political agenda. When extractive industry revenues begin to decline as predicted and outsiders lose interest, socio-political fragilities and the lack of a domestic political contract will once again become problematic.

Trends and new grey areas

The cases and the conceptual issues explored pinpoint a number of issues that international responses to state weakness have largely ignored, and which merit much closer attention.

Globalisation, liberalisation and extraversion

Three processes gained momentum in the late twentieth century, and have had powerful effects on nation-states. Globalisation has caused political power to migrate upward and outward from territorial levels to supra-national institutions and informal domains. Due to economic liberalisation, power and influence have shifted toward non-state actors and commercial circuits for short-term gain. Extraversion – a strong outward orientation of a domestic political economy – discredits developmental self-determination, celebrating subordination as the path to prosperity. These processes facilitate and reinforce one another. Because of the incentives and worldviews they engender, elites become insulated from and unresponsive to citizens' needs, and are less likely to consider a vision of long-term national development which includes all citizens and is centred on public goods.

Informalised domestic political economies

Post-conflict settings have seen the (re-)installment of constitutional orders ostensibly providing lateral checks and balances among judicial, legislative and executive branches, and downward accountability to voters organised through open, competitive politics. In many cases, including those discussed above, these political arrangements are façades behind which access to power and privilege is highly restricted. Real politics of who gets what, when and how take place away from the public gaze, and are subject both to outside actors – who may share sovereignty with national elites – and to domestic patronage systems. Since rent extraction commonly involves short-term gain and illicit transactions, domestic elites and the external actors with whom they collude seek to perpetuate the disorder of impunity, informality and non-transparency. A liberalised global order, with its tax havens and loose control over mis-invoicing and transfer pricing, thus provides an enabling environment for shadow economies and illicit circuits.

New grey areas

The consolidation of pseudo-democracies masks the rise of supra-national systems of incentives and power that draw state and non-state elites into collaborative arrangements. In extreme fragile settings, these collaborations are supported by international trusteeships, including multilateral armed forces, temporary managers and foreign aid minders. However, with the exception of Somalia, outright state collapse is no longer the fear it was in the 1990s. Today, the apparent viability of disorder behind nominally constitutional façades is drawing attention to political economies at work. Licit and illicit non-state actors have penetrated the state. They have formulated arrangements with key politicians and the officials they supervise (security chieftains, financial and trade regulators, customs and border control officials, property title registrars, etc.) in order to lower risks to their activities. Many of these activities involve global circuits of goods, money, people and information which have stakeholders in wealthy parts of the world. They include the hydrocarbon and weapons industries, offshore financial centres and the group of security interests who require a 'war on drugs' in order to continue to exist. As a result, the elimination of weakly-constituted states perhaps does not figure highly on the agendas of numerous powerful interests in rich countries. The interplay of these interests with elites of weak-but-stabilised states is seriously under-researched given its importance.

Close inspection of the seemingly vastly different case study countries' recent histories reveals comparable roots of institutional weakness and of internal conflict, born of elite-dominated politics, absent social contracts, geo-political competition and impoverished societies responding to wrenching incentives in a globalised economy.

Growing international concern regarding the spillover of insecurity from poorly run and weak states raises the question of whether the right policies have been adopted to address fragility. Crisis intervention, conflict mediation, new forms of aid distribution and targeted support for civil society have featured heavily in international policy during recent years. Their success in curbing, or at least freezing conflicts – as in Haiti and Kosovo – has been notable. However, domestic and global forces have served to lock these countries into surprisingly stable systems of governance in which the state is marginal, predatory or ineffective. They have reached an equilibrium in which government is possible, yet at the expense of decent public services and broad-based economic growth.

The international community is struggling to find a solution to this problem, which fits neither the Somali model of collapse nor the Afghan model of a safe haven for Al Qaeda. They must first broaden the reach of their diplomatic and aid efforts to non-state actors, particularly economic elites independent of domestic autocrats and criminal consortia. For example, European and UN diplomats in Guatemala insist on the need to engage these actors – traditionally averse to state-building efforts – in a common front to combat the takeover of organised crime and an epidemic of armed violence. Next, they must pursue a more traditional agenda to build state capacity; an approach seen in Kosovo in the past decade.

There is no doubt that states must gain the wherewithal to advance socio-economic development. However, insufficient emphasis has been placed on the political inclusiveness of this process, of assisting the transition from low trust to higher trust societies. Much can be learned from the egalitarianism (but not the anti-democratic spirit) of the trademark developmental states of Asia. Finally, the financial crisis has galvanised a broad revision of global governance; that reform must take into account the world's economic peripheries, whose casually-handled process of integration has only worsened their dangerous levels of vulnerability, inequality and illegality. Just as Europe and North America are seeking to secure financial institutions that are 'too big to fail', it is appropriate to support economically marginal countries in preserving essential domestic sectors, such as agriculture in Haiti. The nature of ties with Western business and capital must also be regulated in accordance with their profound socio-political implications in the developing world.

The broad ideas above are policy routes for the future, gravitating around some simple notions that our current vocabulary tends to obscure: fragile states can be sturdy, violence is not always conflict, and the global market may be, for some polities, an iron cage.

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