

Focus-on-Trade is a regular electronic bulletin providing updates and analysis of trends in regional and world trade and finance, with an emphasis on analysis of these trends from an integrative, interdisciplinary viewpoint that is sensitive not only to economic issues, but also to ecological, political, gender and social issues. Your contributions and comments are welcome.

# Focus on Trade

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## **FOOD AID AND LOCAL PRODUCTION: WHO WILL FEED ACEH?**

Indra Lubis and Isabelle Delforge

## **EAST TIMOR: A TINY HALF-ISLAND OF SURPLUS HUMANITY**

Ben Moxham

## **RECONSTRUCTION: AN EMERGING PARADIGM**

Shalmali Guttal

### A SPECIAL ISSUE ON CRISIS AND RECONSTRUCTION

In this issue of Focus on Trade, Indra Lubis and Isabelle Delforge report from Aceh on the impact of the tsunami on local agriculture and explore the potential impact of foreign food aid on local producers, the Indonesian government's efforts to protect its domestic market, and long-term food sovereignty. In a different context, but not without similarities, Ben Moxham looks at the recently reported starvation deaths in East Timor and traces the centuries-old continuity between occupation and starvation that persists even today.

The third article by Shalmali Guttal is a comprehensive weaving-together of twenty years' of "post-conflict reconstruction". Looking at the experiences of Haiti, Cambodia, East Timor, Afghanistan, Iraq, Nicaragua and El Salvador, she shows that countries subjected to a "reconstruction" regime of economic rationalism and "democratisation" face growing social and economic disparities and that, for many, "peace with justice" is still a dream. Guttal goes even further and argues that by "ensuring continuing state failure, the reconstruction model guarantees that countries become the 'burden of the international community' and thereby hostage to whatever form of intervention this community decides."

The "post-conflict" reconstruction paradigm that Guttal describes could well be the template for "post-tsunami" reconstruction in Asia. Indeed, the global elite has a tremendous aptitude for maximising its opportunities "post" crisis — whether it's post-financial, post-dictatorship, post-conflict, post-coup, post-Communism, post-war or post-occupation. (Indeed, "post- (fill in the blank)" means nothing more than "pre-neo-liberal".)

"Post-tsunami reconstruction" will be another chance for them to trot out this dangerous and out-dated model. This time, however, there will be some resistance, both from national governments who have their own interests to protect and from local communities, grassroots organisations and social move-

ments who are increasingly wary of the promises of those selling neo-liberal snake-oil. If you are interested in supporting some of these groups, the UK magazine Red Pepper has compiled a list of local unions, social movements, political groups, NGOs and grassroots organisations in the tsunami-affected countries. The address is <http://www.redpepper.org.uk/tsunami.htm>

## **FOOD AID AND LOCAL PRODUCTION: WHO WILL FEED ACEH?**

Indra Lubis and Isabelle Delforge\*

Once you see Banda Aceh, you hardly dare to speak. Once you enter the destroyed town, filled with stinking mud, once you have seen the rows of corpse-filled trucks where those collecting the dead stand, terrifying in their science fiction masks, once you breathe the stench of decomposing bodies, you hardly dare to write that this country is magnificent. The road taking you from Medan to Banda Aceh winds through mist-covered hills; where the monkeys and iguanas cross in front of you before disappearing deep into the forest. To the east, beaches stretch as far as the eye can see; to the west, rice terraces and running streams. Women are re-planting the rice. Black domed-mosques are reflected in the flooded fields.

In Aceh, three weeks after the earthquake and the tsunami, 75,000 people are already buried in mass graves, and every day brings another load of rotting corpses as thousands of newly-found dead are buried. The authorities estimate the number of dead in Indonesia at more than 165,000, most of them in the province of Aceh. Nevertheless, the landscape is largely undamaged.

In the province of Aceh, the majority of the population lives on agriculture or fishing. 42,000 families depend on small-scale fisheries and the farmers are growing rice, chili, onions, vegetables, corn, coffee and coconut on small plots of land, most no bigger than one hectare. In the north-east of Aceh, some families do both: they go fishing in the morning and they work the land in the afternoon. In the other regions, these activities are usually separated.

### **ASSESSING THE DAMAGE**

It is too soon to make a precise assessment of the destruction that the earthquake and the tsunami of 26 December 2004 brought upon fisheries and agriculture. The FAO estimates that two thirds of the fishers in the provincial capital Banda Aceh have been killed and that 70% of the small scale fishing fleet has been destroyed.(1) Those who survived have lost everything: houses, boats, nets, baskets. Everything. Today, fishing has not resumed. The fish that can be found in the markets of Aceh come from neighbouring provinces. While some fishers have already started rebuilding their boats and repairing their fishing nets,

others are profoundly traumatised by the catastrophe. They refuse to go back to the sea. Some sought refuge in the mountains and are asking the government if they can settle there, without really knowing how they can make a living.

Several local organisations are worried about the production models that will be implemented in the reconstruction of the sector. For many years, traditional fishers have suffered from competition from industrial fishery boats operating from Thailand. Their vessels are trawling the seas with huge, fine nets, emptying the sea of its resources. According to Chaspul Hassibuan of KSKBA (Coalition of Humanitarian Solidarity for the Natural Disaster in Aceh and North Sumatra), these Thai vessels are illegally operating in Indonesian coastal waters, after paying off the Indonesian army.

More over, fishers in Aceh have been complaining for years about the destruction of the mangroves by some Indonesian companies building industrial fishing ponds along the coast. The destruction of mangrove vegetation destroys the marine ecosystem and removes some natural protection of the coast against huge waves.

In the short term, fishers need emergency assistance for immediate survival, and in the medium term, they need support to rebuild their houses and boats. But in the long term, the recovery of the sector will depend on the policies that will be put in place to protect small producers against the competition of the industrial fisheries and the measures taken to protect the marine ecosystem.

#### **A SELF SUFFICIENT PROVINCE**

The agriculture sector seems to have been far less affected by the disaster. On the east coast, one can see very few rice fields destroyed, except in the surroundings of Sigli and Banda Aceh. The Indonesian Farmers Federation (FSPI) reports that the damage is much bigger on the west coast, but that a large part of the rice fields in the province was spared by the tidal wave. Nevertheless, the Food and Agriculture Organisation (FAO) assesses that 40,000 hectares of irrigated rice fields have been affected and many of the irrigation canals have been destroyed by the earthquake. The wave also spread waste over the land and increased soil salinity, although the long-term effects are unknown. The abundant rains pouring down over Aceh for the moment might help to wash the fields but, according to FSPI general secretary Henry Saragih, affected soils will need at least another two years to recover.

Prior to the tsunami, the province of Aceh produced enough rice to feed a population of four million people. In 2003, Acehnese farmers produced 871,493 tonnes of rice, while only 564,219 tonnes were consumed locally. (2) Surpluses were sold to other provinces. M. Amru, vice-president of Permata, the Farmers Association of Aceh, says that small producers were already facing very difficult living conditions before the tsunami, in particular due to the low prices they were receiving for their agricultural products. Moreover, he estimates that 30% of the Acehnese farmers do not have access to land while some huge plantations of palm oil are operating in the area. (3) Permata is actively involved in the struggle for land reform in Indonesia. The organisation also promotes organic agriculture among its members.

This year, in spite of the tsunami, many farmers will harvest in February and March. Aceh has preserved a certain capacity to produce food. Three weeks after the disaster, small fruit and vegetable markets are reappearing all over the province.

#### **FOOD AID**

Today, in the aftermath of the disaster, the question of the economic survival of the agricultural sector of the province is being raised. Tonnes of food aid is being distributed to the survivors, and the needs are massive. The World Food Programme (WFP) estimates that about one million people need to be fed. Hundreds of refugee camps are set up, some of them grouping several thousands of people, others at village level house hundreds of refugees.

FSPI has found out from their members that many rural families are hosting relatives who lost their houses. Those refugees do not always benefit from the food aid which is mostly taken to the camps. Instead, their hosts are providing a large part of the immediate assistance to victims.

Several local organisations fear that the massive arrival of free food in Aceh will trigger a price collapse, making it even more difficult for the local economy to recover completely and possibly threatening the agricultural capacity that has survived the disaster.

Their concerns are justified. In Somalia in December 1992, for example, food aid poured into the country, despite the worst of the crisis being over and a good local harvest. The imported food drove down the prices received by local Somali farmers by 75 percent, forcing many of them to abandon their land and join the queues for im-

ported food handouts. Some farmers complained that relief agencies wouldn't buy their food because the US government only provided them with funds to buy food from US companies. (4)

According to Henry Saragih, "Everybody recognises the need for emergency food aid. The situation is a catastrophe and the displaced population does not have any other means to feed itself. What we are demanding is that the food aid programmes only buy food on the local markets, in Aceh as much as possible, or in neighbouring provinces if required."

According to official statistics, Indonesia produced a surplus of 6.8 million tonnes of rice in 2003, and by the end of 2004, the country had a large stock of 6.3 million tonnes. In 2004, the government imposed a ban on rice imports, as the country was able to fulfill its own needs. (5)

The United Nations agencies in charge of the relief operation in Aceh, the International Organisation for Migration (IOM) and the World Food Programme (WFP) reaffirmed their priority to buy food locally. According to Betina Luescher, WFP spokesperson in Banda Aceh, food aid consists mostly of rice, fortified biscuits and noodles, canned fish and cooking oil. Most of the rice is bought from the Indonesian State Company Bulog; noodles and oil mainly come from Jakarta-based companies, while the biscuits are imported. Canned fish comes partly from Indonesia, but WFP was waiting for another 500 tonnes of canned fish from Bangkok.

On 13 January, the stocks of WFP reached 47,357 tonnes for distribution to the Indonesia victims and they announced the purchase of an additional 30,000 tonnes from the Bulog, which still has stocks throughout the country. Anton Wuryanto, chairman of the Bulog crisis center said that the two storerooms in Meulaboh, on the ravaged west coast, have not been destroyed and still contain 817 tonnes of rice. Rice is also being sent to the effected areas from the Bulog centres in Aceh province (such as Blangpdie), North Sumatra and West Java. (6)

However, some imported rice has already made its way into the country. According to the IOM, Thailand and Saudi Arabia have already sent some rice for the relief operations. (7) Bambang Prasetyo, the operation director of Bulog in Jakarta also told the press that the WFP diverted a boat going from Japan to Bangladesh with a load of 12,500 tonnes of rice for the relief operation in Indonesia. (8) The spokesperson of the WFP in

Aceh mentioned that this rice was coming from the US. (9) According to the WFP, the US has already donated some 20,450 tonnes of rice to tsunami regions, most of it coming from pre-positioned stocks in Dubai. (10)

In a first phase, the IOM provided the main logistics for food aid distributions in Aceh for the UN, with the support of the USAID and the US army, AusAID and other international agencies and NGOs. The IOM played this unusual role because they were already in Banda Aceh prior to the tsunami, working with communities displaced by the conflict between the Indonesian military and the Aceh independence movement (GAM). Now, the responsibility for food aid distribution is being transferred to the WFP.

Some Indonesian media said that the WFP intended to replace some of the rice stocks bought at Bulog by imported rice. (11) A source in the Ministry of Agriculture told Henry Saragih that there is currently no government authorisation for such "replacement" of rice stocks. Even in this time of crisis, all imports of rice into Indonesia remain illegal because the country has enough rice to face the crisis. However, the same source affirmed that in early January 2005, the US embassy in Indonesia asked the Ministry of Agriculture for a license to import rice for food aid. Indonesia has just regained rice self-sufficiency after several years of unprecedented import bills and in the WTO it is furiously defending domestic agricultural production. The last thing Indonesia needs is for the world's biggest agro-exporter to enter the market through the back door of food aid.

In the long term, the survival of the people of the devastated areas, but also of the other provinces in Indonesia, will depend on the aid policies that are currently being implemented. The organisations active in the coalition KSKBA insist that the people in Aceh are urgently in need of both food and material aid. But this aid should be brought to the people without bringing about the destruction of small fishers and farmers livelihoods.

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### Notes

1. FAO, "Tsunami destroyed tens of thousands of fishing boats", 13 January 2005
2. Information provided by the NGO Sintesa on the basis of statistics from the Trade and Industry Department, 2003 and the National Social and

Economic Survey, 2003.

3. Some of the companies active in this sector are Belgian, namely Socfindo and Sipef.

4. "World Hunger: 12 Myths", 2nd Edition, by Frances Moore Lappé, Joseph Collins and Peter Rosset, with Luis Esparza (fully revised and updated, Grove/Atlantic and Food First Books, October 1998) Chapter 10

5. Ministerial decree n°9/MPP/Kep/1/2004 (in Jan 2004) extended in May 2004 by n°357/MPP/KEP/5/2004. The decree bans rice imports one month before harvest time and two months after. In 2004, the WFP tried to import 40,394 tonnes of rice to Indonesia but this load was blocked in Jakarta and Surabaya ports because of this ministerial decree (Kompas, 5 August 2004). It is not known whether that rice has now been used for the relief operations in Aceh.

6. Jaknews.com, 3 Jan 2005

7. Interview with Marites de la Cruz, IOM, in Banda Aceh, 14 January 2005.

8. Medan Business, 13 Jan 2005

9. Interview with Betina Luescher in Banda Aceh, 14 January 2005.

10. World Food Program, "WFP welcomes speedy and generous US support for tsunami survivors", Press Release, 2 February 2005.

11. Jaknews.com, 3 January 2005

## EAST TIMOR: A TINY HALF-ISLAND OF SURPLUS HUMANITY

Ben Moxham\*

Saturday 12 February: Last Monday, 7 February, the East Timorese newspaper Suara Timor Loro Sa'e reported that at least 53 people had died of starvation in the village of Hatabuiliko since October 2004. "There is absolutely nothing to eat," reported Domingos de Araujo, the sub-district secretary, and "those still alive are looking for wild potatoes in the forest." Reports from the districts continue to filter in: 10,000 people are starving in Cova Lima; 10,000 households are going hungry in Suai; and Los Palos, Baucau, and Manufahi districts are all reporting a food crisis.

The government's National Disaster Management Office has quickly counseled against overreaction because this is not "starvation and hunger like in Somalia, Ethiopia, Sudan and elsewhere." Instead, what is happening "is known as FOOD SHORTAGE" (their capitalisation) and this "happens every year".

And there lies the deeper tragedy: this is not extraordinary news. Regardless of whatever definition the government is playing around with, hunger is so common in East Timor that November to March is referred to as the "hungry season". Last year, food aid was distributed to 110,000 people in eleven out of the country's thirteen districts and in a 2001 survey, 80 per cent of villages reported being without adequate food at some time during the year.

While a tough drought shares some of the blame, the question that screams to be asked is why is a nation of just under one million people, which is supposed to have received more donor funds "per capita" in the last five years than anywhere else, starving?

### THE MORE THINGS CHANGE...

Since the independence referendum of 1999, an estimated \$3 billion in aid money has been swirling around board rooms, Dili's expensive foreign restaurants and the US dollar bank accounts of international consultants, rarely making the desperately needed trip beyond the city limits of the national capital. In one government department, a single international consultant earns in one month the same as his 20 Timorese colleagues earn together in an entire year. Another consultant charged the UNDP \$8,000 for his first class

airfare from his island tax haven. And these stories add up. A recent European Commission evaluation of the World Bank managed Trust Fund for East Timor noted that one third of the allocated funds were eaten up in consultant fees, to say nothing of overheads and tied procurements. But the problem is far deeper than the financial waste of the aid industry.

Dili's development elites no doubt blame the past. To be sure, the departing Indonesian military destroyed 70 per cent of the infrastructure and displaced two-thirds of the population during their bloody exit in 1999. Indeed, since the Portuguese first landed on the tiny island almost 500 years ago, the Timorese struggle to overcome hunger and to control their systems of food production has been intimately tied up with their struggle against foreign occupiers.

For the farmers of Hatabuiliko and some 40,000 families across the mountain provinces, coffee is the symbol of this struggle. The Portuguese expanded the industry in the 1800s with the usual brutal colonial formula of land dispossession, forced labour and cultivation. The Indonesian military took over the industry in 1976 with such ruinous exploitation that coffee farmers were effectively forced to fund their own genocide. This left the sector in a state that Timor's Planning Commission described in 2002 as "non-viable".

Since the independence vote in 1999, the donor-prescribed dismantling of state supports for the industry, combined with an oversupplied and deregulated global coffee market, has consigned farmers to misery. Coffee, the nation's flagship export, earned a dismal \$5 million in 2003 (total exports were only \$6 million), the result of prices a mere 19 per cent of their 1980 value and in 2002, the lowest ever in real terms.

### **FREE TIMOR, FREE MARKET**

Under the larger donor blueprint of Timor's reconstruction, the market has been radically liberalised, all state support has been curtailed, and the government cut in half, restricted to 17,000 staff under World Bank-IMF-imposed macro-economic conditionalities and a miserly national budget of \$75 million. There's no need for big government, according to the development elite, when the State should stick to being a cheerleader for a "dynamic private sector" riding high on an export-led economy fuelled by foreign direct investment.

Last year I spoke with a group of rice farmers in Bobonaro district about how they were faring in

this brave new globalised world. They lamented that imported rice from Thailand and Vietnam - now making up 55 per cent of domestic consumption - undercuts anything they can produce. While the former Indonesian occupiers invested heavily in infrastructure, subsidised basic commodities and farm inputs, and provided a guaranteed floor price for farmers, the new occupiers have scrapped all of that. These days, farmers visit their World Bank designed and privatised Agricultural Support Centre, to purchase farm inputs at prices so high it pushes their production costs of production above the selling price of rice.

With rural life a struggle, Timorese have flocked to Dili looking for jobs. In July last year, I visited Domingos Frietas, an old friend bringing up a family of five in a squatted house in Dili. Scratching around for more work, his monthly part-time teaching salary of \$50 just isn't enough. A dollarised and liberalised economy, combined with the inflationary spending of the aid invasion, has dragged up the price of living beyond the average Timorese wage. Rice alone is \$15 for a sack that lasts the month. Malnutrition levels in the capital are among the highest in the country.

"Electricity is so expensive, about \$15 a month, if we could pay", says Domingos. It's a massive increase on the couple of dollars charged under the Indonesians. Most cannot and will not pay the tariff under the new user-pays and partly privatised system.

Prime Minister Alkatiri is asking people not to "politicise" the food crisis, advice bravely ignored by Abilio dos Santos, a government disaster management official, who pointed the finger at his employer: "Timor-Leste government has neglected the starvation." He's right, in some ways. For this financial year, the Fretilin government budgeted just US \$1.5 million for the Ministry of Agriculture, a pitiful amount considering 85 per cent of the nation relies on agriculture for their largely subsistence livelihood.

This is a radical departure from 1975 when the same party protested against famine with anti-colonial defiance: "We are a nation of farmers but still our people go hungry?" Thirty years later, the question is still asked but instead of revolutionary songs, Fretilin is forced to sing the donor's tune. And if they don't? "Put bluntly," opines a leaked US Congress memo on activities in Timor, "it seems likely that assistance levels will decline if East Timor's government pursues economic or budgetary policies which were unacceptable to

donors.”

Like the Indonesians and Portuguese before them, East Timor’s donors dictate policy in agriculture. “Most donor assistance is focused on the rice sector,” says Ego Lemos, spokesperson for the sustainable agriculture organisation HASATIL. For example, an estimated US \$18 million of donor funds will have been spent on rehabilitating irrigation schemes from 1999 to 2006. But increases in rice production have been modest. Few farmers are planting a second crop in land that is dry, with intense floods that bring irrigation destroying sediments. In fact rice was never a key staple in Timor and it was only under the Indonesian occupation that production expanded. “During these 24 years we must eat rice,” says Ego, who bemoans that international donors have continued this trend, neglecting more appropriate up-land crops such as maize.

And what of the donor-prophesised arrival of foreign direct investment and the private sector?

“(With) start-up costs 30 per cent higher and operating costs, 50 per cent higher than the rest of the region, there aren’t too many areas for investment in this country,” said one government investment adviser I quizzed. One local chicken factory near Dili was forced to shut down because imported chickens are only half the price of the local product.

#### “THEY’RE NOT AMBITIOUS ENOUGH”

Meanwhile, the economy is steadily contracting and unemployment is skyrocketing with 15,000 people entering the workforce each year. Even the IMF conceded at the last donors’ meeting that these pressures are “reinforcing widespread poverty and serious underemployment”. The deepening crisis of Asia’s poorest country should be apparent to all. Indeed, donors have been wondering why Timorese farmers and workers aren’t blossoming into productive micro-capitalists, like the textbooks tell them.

Local wages are too high, says the IMF in their latest report, praising the government for resisting “the introduction of populist measures” like a minimum wage. (The World Bank led by example, forcing Chubb security to cut the salaries of the Bank’s security guards from \$134 to \$88 per month.)

They’re not ambitious enough, says one donor commissioned trade report, recommending the engagement of an institute to teach Timor’s “low income youngsters entrepreneurship”.

They should forget about their rice and chickens, and diversify into “market dynamic commodities”, counsels USAID and the World Bank. But for Ego, this logic sidesteps reality.

“Every farmer has to grow cash crops, for example, vanilla, coffee and so on, under this policy, but this is not looking at the question, ‘do people have enough to eat?’,” says Ego. Even if a handful of farmers can produce niche commodities for fickle Western consumers, the rest of the country will continue to suffer or simply disappear like the 53 men, women and children of Hatabuiliko. Under the free market, Timor is just a tiny half island of surplus humanity.

Is it so offensive for a nation as poor as Timor to be allowed to instead adopt policies which support and protect 85 per cent of the population? To heal Timor’s deep colonial scars, “the government should subsidise the rural poor by investing in basic infrastructure,” says Maria “Lita” Sarmiento from the local land reform and conflict resolution organisation Kdadalak Sulimutuk Institute (KSI) (meaning “streams come together”). “We don’t need expensive technology; we just need to support our traditional systems,” she says.

Ego buzzes with alternative ideas for agriculture, many of them inspired by the annual farmer-organised agricultural fair “Expo Popular”.

“We need to block imports of food that we can produce here,” argues Ego. But won’t your people starve? “This argument is nonsense,” responds Ego. “We have the means to feed ourselves but we need the right policies and the right assistance. In times of crisis, people are relying on yams, taro, banana, jackfruit, and so on. We need to develop our natural food sources, not to develop a dependence on food aid, and the hybrid seeds and chemical fertilizers they dump on us.”

The tragedy of the famine in Timor is that the will to provide the humble assistance Ego and Lita speak of - to say nothing of the years of struggle and international solidarity - has been debased into the World Bank’s policy architecture. The other barrier is the Australian government which is laying claim to \$30 billion of the \$38 billion of gas and oil resources in the Timor Sea. This is famine-preventing revenue that belongs to East Timor under International Law.

Yet the work of Timorese like Lita and Ego show that the independence movement is starting to

paint new slogans on their old banners: to push the idea of sovereignty beyond the parliament buildings and out into the fields and forests, as Timorese attempt to regain control over their systems of food production.

Hatabuiliko is perched at the foot of the summit of Mt Ramelau, the tallest mountain in East Timor. From the top you can nearly see all of this small and beautiful island: a spine of mountains barely 90 kilometres wide, splitting the ocean like a wedge. Since October, people have been dying in this village, barely 100 kilometres of winding mountain roads away from the capital. Since October, dozens of the aid industry elite have passed through the village on their tourist pilgrimage before parking their four wheel drives on the other side to begin the ascent. Many would have hired a guide from Hatabuiliko. So why didn't any of them notice? Is the disconnection between donors and Timorese reality so complete that those dying of hunger become an unremarkable part of the landscape?

Last year I spent one cold night in the church at Hatabuiliko. I don't know who of the people I shared a meal and a few happy hours with have died. Those who remain must be asking why their nightmare continues.

## RECONSTRUCTION: AN EMERGING PARADIGM

Shalmali Guttal \*

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Over the past two decades, post-war or post-conflict reconstruction has emerged as the essential framework for establishing neo-liberal policy regimes in newly liberated nations (such as Timor Leste), countries emerging from protracted periods of violent conflict (such as Cambodia, Haiti, El Salvador and Nicaragua), and countries subjected to external aggression and occupation (such as Afghanistan and Iraq). Many elements of these policy regimes can also be found in countries undergoing structural changes to their national political and economic systems, as in the 'transition' countries of Central Asia and mainland Southeast Asia.

Although re-building communities and societies after periods of severe crises, upheavals and armed conflicts is not a new phenomenon, the recurring economic and political characteristics of the development model prescribed by external actors in the name of "reconstruction" and "nation building" have all the characteristics of an emerging paradigm.

Reconstruction literally involves everything, from the demobilization of armed groups and peace-keeping to writing new constitutions, formulating new national laws and fast-tracking foreign investment. Whether in Cambodia, Timor Leste, Haiti, El Salvador, Nicaragua, Iraq or Afghanistan, the elements that loosely constitute the emerging reconstruction model are more or less the same. These generally include: a UN-led mission for "transitional" administration, peace-keeping and donor coordination; efforts to shape the contours of national "leadership" through support for electoral, constitutional and governance activities; the development of national sectoral plans, economic and fiscal policies, and government and institutional capacity by foreign experts; the transfer of essential services provision to private sector firms; and a plethora of international non-governmental organizations (NGOs) and newly emerging national/local 'civil society organisations' (CSOs) engaged in activities ranging from micro-credit and primary health care to democracy and human rights training.

The similarity among reconstruction programmes

in different countries is not co-incidental. Rather it reflects conscious and deliberate planning by a set of actors who have given themselves the responsibility of defining development and security for the rest of the world. Present day reconstruction efforts are led by a combination of actors with distinct, but often overlapping roles: rich donor nations from the North, international financial institutions (IFIs), the United Nations (UN) and other inter-governmental agencies, multilateral security forces, humanitarian relief and development agencies, private enterprises, and national and international NGOs. Reconstruction is financed largely through multilateral and bilateral loans and grants. Money for reconstruction is not free. It comes tied to conditionalities from donors and creditors. Governments of countries undergoing reconstruction generally have little input into the policy prescriptions doled out to them, although many officials among their ranks are more than willing to collaborate in the imposition of economic and political systems that help them corner power, influence, and wealth.

The fundamental tenets of concurrent reconstruction programmes are derived from neo-liberal ideology and emphasise rapid integration of domestic markets into the global market-place, free flow of capital, privatisation, deregulation and an overall reorientation of governmental responsibilities towards protecting and facilitating free market conditions for creating profit, much of which is expropriated by private sector actors from outside the country and consolidated by national elites. Although the fine print of the reconstruction model applied in each country might vary here and there, the overall systems and structures that the model defines are the same, regardless of the differing histories and economic and political contexts of the affected countries.

Further, the success and failure of reconstruction efforts are assessed not by the levels of sustained economic, social, political and physical security of domestic populations, but by the speed and extent of compliance with externally determined standards such as establishing a market economy, good governance, liberal democracy, etc. Conditions for national sovereignty are determined by those who front the cash for reconstruction rather than by democratically elected governments and empowered citizens, and ensure continued control by outside powers over the country's resources and political direction.

### **SETTING UP FAILED STATES**

Countries subjected to reconstruction

programmes are generally regarded by the international development establishment as displaying characteristics of "failed states." That is, their state apparatuses are unable to exercise full control over their respective territories, are unable to fulfill domestic and international development and legal obligations, lack effective national judicial systems to ensure the 'rule of law,' do not demonstrate the requisites of 'liberal democracy', and are unable to prevent their territories from being used in the perpetration of economic and other crimes. (1)

Although war, internal armed conflicts and upheavals caused by violent political and economic changes do result in weak and often dysfunctional national structures and institutions, the imposition of a neo-liberal economic and political order as a condition to financing reconstruction so debilitates national capacities that countries undergoing reconstruction remain in a continuing condition of state failure. The aspirations of local populations for peace, economic and social security, and political stability become secondary to the vision of reconstruction's architects. The project of 'nation building' becomes captive to the economic and geo-political interests of those who finance and direct reconstruction, especially the countries of the G7 and primarily the United States (US).

With regard to the reconstruction of Guatemala, El Salvador and Nicaragua, Alejandro Bendana notes, "In this case, as in others the world over, 'nation-building' took the form of following an economic and political blueprint largely designed by the multilateral financial institutions in Washington. What we witness therefore is the transformation of nation-states and nation-building into the creation of neo-liberal national states." (2) A study on trends in bilateral and multilateral emergency and development assistance in Cambodia from 1992-1995 notes that, "Unfortunately, aid flows in crisis periods are not necessarily adjusted to the needs and absorptive capacity of the recipient country, but are more attuned to the political needs of donors seeking to manifest foreign policy." (3)

A question donors and multilateral institutions appear loath to confront is, who determines—and on what grounds—that one or another state or regime lacks legitimacy? Despite the obvious illegality of the US-led war on Iraq and the subsequent attempts to pillage the country's resources under the banner of reconstruction, the handing out of plum contracts by the Coalition Provisional Authority (CPA) in Iraq to US-favoured corpora-

tions was not challenged on ethical grounds by either the UN or donor countries. A number of European corporations even applied pressure on their respective governments to take conciliatory positions towards the US and its “coalition of the willing” so that they could be eligible for a piece of Iraq’s reconstruction pie. UN envoy Lakhdar Brahimi’s endorsement of the US controlled Governing Council’s choice in selecting the Prime Minister and other top officials of the interim government in Iraq was viewed by the progressive peace movement as “blue-washing” by the UN of the illegal invasion and occupation of Iraq.

Theories about state failure produced by mainstream academic institutions, think tanks and donor agencies consistently ignore the systemic causes of such failure and their accompanying cycles of impoverishment and conflict. The draining of national wealth through colonial structures of production, debilitating debt repayment burdens and the structural adjustment programmes imposed by the World Bank and the International Monetary Fund (IMF) rarely figure in analyses of negative economic growth, deepening poverty and poor governance in so-called failed states. Nor do radical transformations of national economies and governance structures brought about by international political and economic pressures. We are exhorted to believe that countries in Africa, Central America and Asia have corrupt, unaccountable governments, lack the ‘rule of law,’ do not provide for their citizens and are susceptible to terrorist activities within their boundaries because they have not yet put in place the requisites of liberal democracies and market structures of the West. Iraqis are hungry and dissatisfied not because of ten years of back-breaking economic sanctions but because Saddam Hussein was a dictator. Palestinians are poor and insecure not because their rights to land, sovereignty, and self-determination are violated by Israel’s expanding settlements but because the Palestinian Authority is unable to stem the rising squads of suicide members.

A recurring theme in discussions on state failure is the abuse of state power by ruling elites, lack of adherence to the ‘rule of law’ and the urgent need for effective and good governance. Although the abuse of state power is a serious problem in countries undergoing reconstruction, it is not the sole preserve of their ruling elites. Many northern and other governments-especially the US-have propped up and colluded with dictatorial regimes to further vested interests. From 1950 through 1975, the US financed covert operations and government factions in the Lao Peoples’

Democratic Republic (PDR), Cambodia and Vietnam in a bid to stem the spread of communism. After the Khmer Rouge was ousted from power by Vietnamese-led forces in 1978, the US, in collaboration with the Thai military, started to channel covert aid to Khmer Rouge controlled regions along the Thai-Cambodian border, thus protracting a state of internal conflict in a country emerging from three years of the Khmer Rouge’s genocidal reign. In 1979, former US National Security Adviser Zbigniew Brzezinski said, “I encouraged the Chinese to support Pol Pot. Pol Pot was an abomination. We could never support him, but China could.” According to Brzezinski, the USA “winked, semi-publicly” at Chinese and Thai aid to the Khmer Rouge. (4)

The US, many European governments, and countries in the Association of Southeast Nations (ASEAN) maintained diplomatic and economic ties with Indonesia under President Suharto’s regime. It is now public knowledge that much of the money channeled to Suharto’s government by donor countries and the World Bank was used to brutally repress civil and political dissenters in Indonesia, and to finance Indonesian military actions in Timor Leste, West Papua and Aceh. (5) Ironically, these same actors now demand adherence to human rights and democratic principles by Timor Leste, Cambodia, Vietnam and the Lao PDR. Writing on US military, political and economic interventions in Afghanistan, Iraq, Vietnam and Haiti-all of which are labeled “failed states”—Rick Salutin notes that, “To the extent that Haiti has often ‘failed,’ it hardly did so on its own. In the real world-personal or political-almost no one fails by themselves.” (6)

The lack of historical and international dimensions in analyses of state failure renders them ideological, and thereby results in solutions that are also ideological rather than grounded in the political economy of conflicts and their impacts on states and peoples. According to this “logic”, if donors can attribute violence and poverty to corruption by greedy national elites and the absence of ‘good governance’ as defined by the World Bank, then surely the solution must lie in insisting that countries undergoing reconstruction apply World Bank prescribed conditions of good governance. The World Bank model of good governance demands that governments put in place legal and administrative systems that are private sector- and market-friendly and create an “enabling” environment for foreign investment. Good governance does not require a failing state to prioritise the development needs of its own population, provide jobs, food and affordable

healthcare, protect its producers from cheap imports, or regulate the activities of foreign capital through national laws. Sovereignty is a great idea as long as it ensures that a struggling nation accepts its subservience to global capitalism and uses its state power to put in place free market reforms.

### PRIVATISATION HAVENS

An emerging tendency in post-conflict theorizing is to “normalise” situations of protracted instability so that development can carry on without a “well entrenched” or coherent state. (7) The World Bank, UN agencies and donor governments are content to turn over development activities to private actors on the grounds that weak, dysfunctional, and authoritarian governments are unable to meet their national development obligations. Services provision, humanitarian relief, and even security and conflict management responsibilities are routinely farmed out to corporations and national and international NGOs.

In Cambodia, national NGOs emerged as a conditionality of development aid demanded by donors during the early reconstruction phase led by the United Nations Transitional Authority in Cambodia (UNTAC). While UNTAC was busy trying to demobilize soldiers, establish law and order, repatriate refugees and establish a civil administration, the work of development was handed over to international NGOs. It quickly became apparent to donors that development activities managed entirely by international NGOs contradicted claims of sustainability and building national capacity. Thus came the push for the Royal Cambodian Government to create legal provisions for the establishment of national NGOs that could receive development aid directly from donors. From 1992 onwards, international and national NGOs were engaged in a wide range of activities in Cambodia - from clearing landmines and emergency relief to setting up schools and hospitals, providing job training and running micro-credit banks. From 1992-1995 huge amounts of development aid were disbursed by donors for reconstruction and development, but much of this money did not pass through Cambodian government channels. According to a study on aid flows during this period substantial amounts of this aid was not even spent inside Cambodia and the funds were managed largely by non-Cambodians.

“In the rush to repatriate people from the Thai-Cambodian border and to jump-start rehabilitation efforts, the participation of the government bureaucracy was largely ignored. In effect, a

parallel structure was created with NGOs, multi-lateral agencies, and consultants performing many of the tasks normally assumed by government personnel. The urgency of donors to implement high-cost emergency programmes was, ironically, in conflict with the slow process of rebuilding societal institutions needed to manage aid effectively.” (8)

A decade later, a similar pattern appeared in Timor Leste, except that there, consultants, “experts” and specialized private sector firms completely dwarf local civil society organisations (CSOs) in the amounts of donor funds they receive for rehabilitating the country’s infrastructure and providing “technical support” to every sector and line ministry. Many service delivery arms of the government have been outsourced to private firms and it is common to see expatriates carrying out key government functions. Although Timorese themselves agree that there is indeed a serious shortage of skilled and experienced local organizations and personnel to meet the country’s development needs, none would deny that reconstruction in Timor Leste is a enormous cash cow for the international reconstruction industry.

Further to the west in Iraq, another type of outsourcing has burgeoned: the privatization of security. The public killings of four private security personnel in Fallujah in March 2004 brought the world’s attention to the extensive presence of mercenary soldiers in Iraq. The CPA, which served as Iraq’s administrative power before the establishment of the interim government, attracted thousands of private military personnel from private military companies (PMCs). In May 2004, the US State Department listed more than 25 PMCs doing business in Iraq, most of them from the United States or Britain. (9) These include Blackwater, DynCorps, Kellogg Brown and Root (KBR), Control Risks, Global Risk Strategies and Erinys. PMCs have provided security for senior members of the CPA as well as for high-end corporations such as Bechtel and Halliburton.

According to some researchers, the numbers of private military personnel in Iraq is unprecedented in both scale and scope. Under the misleading label of “civilian contractors,” PMCs provide personal security, guard food shipments, oil pipe-lines and military installations, feed and house coalition troops, maintain key weapon systems and increasingly get drawn into gun battles with the Iraqi resistance in place of coalition soldiers. (10) Although a high-risk business, private security in Iraq and Afghanistan is tremendously

profitable. “Security” has become Britain’s most lucrative post-war export to Iraq and British PMC revenues have gone from 200 million pounds before the war to over 1 billion pounds. (11) As the cost of doing business goes up in an increasingly insecure Iraq, so do the profits of the PMCs. And future multi-billion dollar World Bank and UN reconstruction funds for Iraq are likely to increase these profits even more.

### THE POLITICS OF DEMOCRACY

Given that countries undergoing reconstruction have been either deemed failed states, or diagnosed as heading towards state failure, “democracy promotion” is identified by donors as a high priority activity and figures prominently in all reconstruction programmes.

In Cambodia during the early 1990s, bilateral donors and the UNTAC spent tens of millions of dollars preparing the country for the impending elections. Key features of this preparatory work were “human rights education” and “democracy education,” which were carried out by international NGOs and sought to educate the Cambodian public about liberal democracy and liberal notions of “good governance.” Cambodians reeling from over thirty years of political turmoil instigated and manipulated by external political forces were understandably mystified by the aggressive promotion of yet another system of political and economic governance by yet another set of external actors. Given their long and first-hand experience of physical violence and political repression, Cambodians did not need to learn what their human rights were; they were more interested to know what the international community could do to ensure these rights—foremost among them the right to self-determination and justice. To date, this guarantee still proves elusive.

In Timor Leste, the vanguards of democracy promotion are USAID—the international aid arm of the US Government—the International Republican Institute (IRI) and the National Democratic Institute (NDI). The IRI and the NDI are the foreign policy wings of the US Republican Party and Democrat Party respectively, and both are part of an umbrella group funded by the quasi-governmental National Endowment for Democracy (NED) in the USA. These are the same groups that were involved in the attempted coup against the Chavez Government in Venezuela and the successful coup against the Aristide Government in Haiti. (12) USAID funds non-governmental media groups, CSOs working on legal reform, media training and policy research, and fledg-

ling political parties who form the opposition to FRETILIN, Timor Leste’s ruling party. IRI’s “democracy promotion” activities have deepened tensions and mistrust between FRETILIN, opposition parties and local CSOs. In 2003, rumors were rife in Dili, Timor Leste’s capital, that the IRI was supporting a shadow government in the country. Many view the implementation of a repressive immigration law banning foreigners from engaging in political activities as a direct response by FRETILIN to IRI’s political meddling. (13)

The increasing involvement of NGOs in donor-driven democracy promotion indicates a cross-over from more conventional humanitarian and developmental activities into the open realm of politics. Based on his experience in Afghanistan, Conor Foley argues that it is becoming increasingly difficult for NGOs to argue that their work is unconnected with politics.

“Since the advent of the Bush administration and September 11, the ‘humanitarian space’ in which aid workers can operate has been steadily shrinking. During the 1990s some aid NGOs moved away from their traditional position of neutrality by calling for Western military intervention, for humanitarian purposes, in certain circumstances. Aid workers now cooperate with the military in conflict and post-conflict zones through practical necessity. Britain’s Department for International Development links the provision of humanitarian assistance to objectives such as restoring peace and human rights. The US government has, even more overtly, called on NGOs to help US foreign policy goals; in Iraq, humanitarian aid has been politicised on an unprecedented scale and its impartiality undermined.” (14)

Since the 1990s, international NGOs from wealthy countries have increasingly acted as semi-official distributors of relief and humanitarian assistance in place of bilateral and multilateral institutions. In Afghanistan, as elsewhere, international NGOs have assumed responsibility for state-type functions such as the provision of public services, health and education. Donor governments are channeling a significant amount of humanitarian relief through their national NGOs. While this assistance is sorely needed in local areas, by virtue of their reliance on donor government funds, relief programmes are extremely susceptible to political meddling and manipulation. It is not surprising that people in Afghanistan, Iraq and Timore Leste view many NGOs as carrying out the foreign policy objectives of their respective governments in the guise of reconstruction and development.

## INSTITUTIONAL AND ECONOMIC WINDFALLS

Reconstruction has provided excellent opportunities to multilateral institutions and IFIs such as UN line agencies, such as UNICEF, UNDP and the World Food Programme, the World Bank, the International Monetary Fund (IMF) and the Asian Development Bank (ADB) to carve out new roles for themselves and keep institutional irrelevance at bay. In a global economic climate of increasing private capital flows, their involvement in national reconstruction programmes ensures that policy and structural changes that suit the interests of wealthy and powerful donor countries are put in place as “national development frameworks.”

Coupled with domestic peace-building, reconstruction - as broadly applied by multilateral organizations and donors - tends to be extremely centralized, externally imposed, supply-driven, and interventionist. (15) It assists in the formation of new national elites who - in collaboration with external actors - lay the ground for a neo-liberal policy environment that facilitates the expropriation of national wealth by foreign as well as domestic private interests. Reconstruction also provides a quasi-legitimate avenue for wealthy and powerful countries to consolidate their claims on the natural resources and economic opportunities of entire regions-as in the case of the United States in relation to Central Asian and Middle East oil reserves.

The World Bank is one of the most influential institutions involved in reconstruction. The Bank views conflict prevention and post-conflict reconstruction as critical to its mission of poverty reduction. Its Articles of Agreement permit the Bank to “assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war [and] the reconversion of productive facilities to peacetime needs.” (16) The Bank is playing a significant role in shaping economic and social development policies in Afghanistan, Cambodia, Africa’s Great Lakes region, the Balkans, Liberia, Nepal, Sierra Leone, Timor Leste, Sri Lanka, the West Bank and Gaza, and other war-torn areas.

In Haiti, an interim Cooperation Framework-the Cadre de Cooperation International (CCI)-was drawn up in April-May 2004 behind closed doors by about 300 mostly non-Haitian consultants, many from the USAID and the World Bank. Release of the plan followed the assumption of

power by Haitian Prime Minister Gerard Latortue and his ministers, who were hand-picked by an eight person “Council of Eminent Persons” backed by the US, France and the UN Security Council. The two-year social and economic plan lays out a framework for Haiti’s reconstruction, which will be carried out under the protection of a UN peace-keeping mission of over 8000 security personnel.

Many Haitians have denounced the plan as “disguised colonialism” because of its neo-liberal economic recipes and the role of external institutions-particularly the World Bank-in formulating the plan. The “expert” group preparing the plan did not consider it necessary to consult with Haiti’s large and diverse civil society-which includes labour unions, peasant associations, women’s groups, NGOs, producers’ cooperatives and numerous other associations —about a reconstruction plan for their country. Critics of the programme say that the CCI “reinforces the structures and forms of [foreign] domination of Haiti.” (17)

By its own admission, “mitigating the effects of war” accounts for about 16 per cent of the Bank’s total lending. (18) The Bank has a special unit to design development programmes for conflict affected countries (the Conflict Prevention and Reconstruction Unit) and a special fund to provide financing for reconstruction in “post-war societies” (the Post-Conflict Fund). It has an operational policy (OP) on “Development Cooperation and Conflict” (OP 2.30) that sets the scope and the terms of the institution’s interventions and explicitly opens the door for the Bank to work in conflict prevention. (19) Combined with a policy on “Dealing with de facto governments” (OP 7.30), OP 2.30 clarifies the Bank’s capacity to intervene in countries where it is unclear who is in power and permits the Bank to provide grants on request from the international community as “properly represented” (for example, by UN agencies). This means that the World Bank (and the IMF) can operate in a country in the absence of a sovereign government, as in the case of Iraq and until recently, Afghanistan. In the case of Iraq however, Bank interventions have until now been limited to “needs assessment.” (20)

In order to expand its reconstruction work, the Bank has developed “new products” for situations where normal lending instruments cannot apply. These allow the Bank to “position itself” early on in shaping the affected country’s development path. In a number of countries emerging from conflict, the World Bank prepares a Tran-

sitional Support Strategy (TSS). The TSS is a short to medium-term plan for comprehensive reconstruction through which the Bank can provide emergency recovery grants and loans. Angola, Macedonia, Kosovo, Timor Leste and the Democratic Republic of Congo all currently have a TSS. The Bank has also established and managed joint donor trust funds in countries such as Afghanistan, Kosovo and Timor Leste, and in the Great Lakes region in Africa. (21) Most recently, the World Bank pledged US\$660 million dollars to help Indonesia, Sri Lanka and the Maldives “make the transition from disaster relief efforts to reconstruction” in the wake of the tsunami that devastated the region on December, 26, 2004. Sourced mainly from the International Development Association (IDA), the Bank’s soft loan institution, financing and “technical support” for post-tsunami reconstruction is expected to rise over time. (22)

An important area of World Bank-IMF involvement is overseeing debt repayments and scheduling. In Afghanistan, donors moved quickly to ensure that debt arrears were cleared, paving the way for new lending. Administered by the World Bank, bilateral donations “skimmed off the top before the remaining funds were made available to the Afghan government.” (23) In Timor Leste, both the World Bank and the ADB have pressured the Government to move from grants to loans, on the grounds that the country’s reconstruction cannot be funded by grants alone. The ADB has claimed that the loans it would offer the Timorese Government would practically be “free money,” given their low interest rates and favourable repayment schedules. However, as all IFI watchers know, the danger in these loans do not lie in numbers, but in the policy prescriptions that a borrowing country must adopt as conditions to receiving this “free money.” (24)

In November, 2004, the Paris Club of Creditors agreed to write off a portion of Iraq’s debt in three stages. (25) The first 30 per cent (\$11.6 billion) is to be written off unconditionally. A second 30 per cent will be reduced as soon as IMF reforms package is approved. And a final 20 percent will be reduced after the IMF certifies that Iraq has faithfully implemented the reforms package. Iraq owes less to the Paris club (about \$42 billion) than to various Arab governments (about \$80 billion). However, the debt cancellation deal ensures that the country’s economic future will be defined by the Paris Club nations and particularly the US, acting through the IMF and the World Bank. Iraqis, including the Iraqi National Assembly, have rejected the debt deal, on the grounds that Iraq’s debts are “odious”- that is, they are illegitimate and were used against the interests of the Iraqi

population. At the same time, the legitimacy of the National Assembly, being a product of a political process under occupation, is itself in question. The voices of ordinary Iraqis, who have to repay past and future debts as well as bear the costs of reconstruction through deals that reward their occupiers, appear to be of little interest to the deliberations of the international debt cartel.

Common in all World Bank reconstruction programmes is the immediate application of free market reforms, including legal provisions for foreign investment, full repatriation of profits for foreign investors, private property rights, zero subsidies for food and essential services, and the now ubiquitous “good governance.” In a study on IFI involvement in Afghanistan, Anne Carlin notes that IFIs are seeking “new lines of business” at a time when large borrowers such as India and China turn to other sources for major projects. (26)

“Language in some World Bank documents- ‘new products for a new era’-is more evocative of a commercial strategy than of development assistance. Reforms under way in Afghanistan include a law on private and foreign investment that ‘expedite the investment process, grant tax waivers based on terms of investment, exempt some exports from taxes, and allow for tax-free repatriation of funds.’” (27) It is doubtful that Afghans themselves will benefit from such business activity.

The free market oriented policies demanded by the World Bank, IMF, ADB and other donors as a condition for reconstruction financing have made reconstruction an extremely lucrative business for the IFIs themselves, bilateral and international technical support agencies, development “experts,” international consulting and contracting companies, multinational corporations, NGOs and national elites, all of whom reap large profits in the guise of rebuilding economies and societies. They have also led to increased inequality, hardship and social polarization among local populations who do not have the professional skills or political clout to benefit from the new market opportunities that reconstruction offers.

During the early 1990s in Cambodia, qualified doctors, teachers and technicians could be found working in low-end service or support jobs while the reconstruction of their country was being planned by expensive, foreign professionals. After the election in 1993 and the formation of a national government, the average monthly salary of a mid-level government official did not ex-

ceed US \$40, while an equivalent position in an international organization could fetch 100 times as much. Government officials had to find additional means of employment to supplement their meager incomes. Many started local NGOs and/or businesses on the side in order to tap into donor funds for reconstruction. In Timor Leste, a similar scenario is emerging where donors and the World Bank insist that government salaries be kept low in order to ensure “sustainability” and avoid bloated government expenditures. The same principles, however, seem not to apply to the international aid and reconstruction industry.

Countries undergoing reconstruction display characteristics of what could be called a “reconstruction economy,” in which food, housing, services, recreation facilities and business opportunities abound for international peace-keepers, administrators, development and security professionals, NGOs and contractors, while the majority of the local population struggles with dysfunctional infrastructure, non-existent or poor quality services, dead-end jobs or unemployment. A services and construction boom geared towards expatriates creates pockets of affluence in capital cities and select tourist and recreational areas while the economy in the rest of the country falls apart. The resultant obvious disparity in living standards contributes to rising crime rates, social unrest, conflicts over land, water and other natural resources, and communal tensions that threaten to escalate into serious conflicts and violence.

### **THE VIOLENCE OF RECONSTRUCTION**

Post-war and post conflict reconstruction programmes are generally tied to UN and donor-led peace and conflict resolution initiatives where ending conflicts and building peace are conflated with the formal cessation of hostilities and the establishment of conflict resolution mechanisms, new economic policies, new institutions and capacity, and new governance structures in affected countries. In most cases, a reconstruction blue-print would be in lock-step with a peace agreement or accord, which, in the words of Alejandro Bendana, is itself a “value-laden text abounding in references to universal human rights principles, informed by understandings of peace with justice, setting forth specific steps and stages to achieve justice in terms of political and economic democratisation.” (28)

A convenient assumption made by many actors involved in post-war reconstruction is that formal cessation of hostilities by warring parties sig-

nifies the end of violence and the beginning of development. Referring to the peace accords signed in El Salvador in 1992, Bendana observes, “At the moment of the signing perhaps all domestic and external actors believed that democracy and development would flow naturally from the peace accords as a binding framework. Good intentions however do not produce win-win situations because the full and forceful implementation of the accords, as in Guatemala and elsewhere, entailed a ‘loss’ for the traditional landed elite and business sector.” (29) Bendana points out that the Farabundo Marti Para La Liberacion Nacional (FMLN) and its sympathizers visualized a peace deal that would address economic and resources issues (especially land) in return for the demobilization of FMLN guerillas. Although some of these concerns were integrated into the peace accords, life for the average Salvadoran did not improve. On the contrary, the daily lives of Salvadorans remained as bad—if not worse—as before the war, with increasing poverty, inequality, street violence and lack of security.

El Salvador and other countries in the grips of post-war reconstruction show that the economic violence institutionalized through reconstruction programmes can be every bit as destructive and debilitating as the physical violence of conventional armed conflicts and wars. However, the structural conditions that result in economic violence are rarely recognized as a form of war, or even associated with continuing armed conflicts and civilian unrest. Once wars are officially “settled” qualifying for reconstruction assistance presupposes immediate adjustment to a market system.

Naomi Klein has pointed out the devastating impacts on ordinary Iraqis of the economic reforms imposed on Iraq by the US-dominated CPA. Between May 2003 and June 2004, Lt. Paul Bremer, the Head of the CPA, fired 500,000 state workers (including soldiers and civilians), opened the country to unrestricted imports, started to privatise state enterprises, and enacted a set of radical free market laws to entice multinational corporations to set up operations in Iraq. These included: lowering Iraq’s corporate tax rate from about 40 per cent to 15 per cent; 100 per cent ownership of Iraqi assets (except for oil) by foreign companies; full repatriation of all profits by foreign investors; forty-year long leases and business contracts, and; allowing foreign banks to conduct unregulated business in the country. According to Klein, “Overnight, Iraq went from being the most isolated country in the world to being, on paper, its widest-open market.” Klein

reports that according to Joseph Stiglitz, former chief economist at the World Bank, Bremer's reforms were "an even more radical form of shock therapy than pursued in the former Soviet world." (30)

Contracts worth millions of dollars were routinely handed out by the CPA to its favoured corporations (mostly from the US) while top posts for shaping Iraq's future "sovereign" government and Iraqi civil society were farmed out to highly paid and ideologically motivated professionals from the Bush Administration's pet think tanks and investment banks. Prominent among them are the Research Triangle Institute (RTI), the National Endowment for Democracy (NED) and Bearing Point, all of whom were tasked with constructing economic, social and political structures and institutions most conducive to US and transnational corporate interests even after direct occupation ends. (31)

The US formula for Iraq's reconstruction is not different in substance from what the IMF and World Bank would prescribe in a standard structural adjustment package: a shrunken state, privatization, a "flexible" workforce (that is, workers can be hired and fired at will), removal of subsidies for food and public services, open borders with no tariffs, market-friendly laws, minimal taxes for investors, no capital mobility restrictions, and private property protection. The people of Iraq would have to suffer some short term pains—such as joblessness and dire poverty—but this would be more than made up for by future gains as foreign investment floods in. But as is evident, the CPA's dream of making Iraq a "capitalist dream" has not materialized. Instead, thousands of unemployed Iraqis, battered by both, the military war as well as the violence of the US's reconstruction ideology, are finding employment, security and community in the growing resistance to the US-led occupation.

For most populations in countries under reconstruction, peace cannot be separated from socio-economic and political justice. A reconstruction programme that creates joblessness and food insecurity, strips public assets and hands them over to private profiteers, inhibits the access of children to clean water, health-care, nutrition and education, exacerbates the insecurity of women and vulnerable groups, and weakens the economic prospects of local producers by opening the country's economic borders to unchecked imports, is every bit as violent and destructive as the past they sought to escape.

The unwillingness and inability of those who design reconstruction programmes to confront market-generated inequalities and injustice is not surprising. The architects of these programmes are after all the same set of actors who invented structural adjustment programmes with its "no pain no gain" mantra and deep, ideological adherence to free market economics as the most efficient way to allocate resources and power. In their book, good and effective governance is judged by how friendly governments are to international capital, and not by a government's commitment towards its citizenry.

### WHOSE RECONSTRUCTION?

Post-war reconstruction is an openly political project and raises complex questions about state sovereignty and legitimacy, self-determination, democracy (local and national) and social, economic and political justice. The question is not whether reconstruction and peace-keeping are needed or not, but rather, what types of reconstruction and peace-keeping are needed, who they are designed for, who leads them, and whose interests they serve. There is no denying that resources for re-building physical infrastructure, essential services, national institutions and administrative capacity, and for re-vitalising domestic economies and political systems are urgently needed in countries emerging from crises. Strong and effective governance is important, based on rules and regulations of accountability applied to governments and the private sector equally and supported by a well-defined legal system. A robust and accountable domestic private sector can also play a role in re-building a shattered economy.

However, the experiences of Cambodia, Timor Leste, Haiti, El Salvador, Nicaragua, Iraq and Afghanistan—to name just a few—show that the resources for rebuilding lives, economies, societies and polities come at an extremely high price with long term implications that are not always visible at the onset of reconstruction programmes. (Iraq is a special case in that the US occupiers made no bones whatsoever about the returns they expected from their invasion and occupation of the country.) Experience also affirms that despite the repeated failure of the reconstruction model to prevent state failure, the model continues to be applied with minor revisions in country after country.

The post war/post conflict reconstruction model in evidence today is an essentially neo-liberal enterprise through which states and societies can be de-constructed in order to remake them as market-friendly utopias where the accumulation

of wealth by external corporate powers and select national elites is considered normal. The World Bank, donors and many inter-governmental agencies view reconstruction as a “marrying” of post-war economies and societies to free market-oriented development, in the framework of structural adjustment. (32) As such, reconstruction becomes a more egregious and extreme form of the neo-liberal development model promoted by capitalist powers and the IFIs. By ensuring continuing state failure, the reconstruction model guarantees that countries become the “burden of the international community” and thereby hostage to whatever form of intervention this community decides.

As long as neo-liberal intervention is not recognized as a conflict-producing factor, it will continue to be offered as one of the solutions to conflict. According to Bendana, the problem is not the association of peace with development, but the association of peace with a particular model of development that generates poverty and inequality.

“Economic crisis underpins major social tension and instability, so that social conflict and violence are both effect, as well as cause and effect, of economic crisis. Economic crisis is fed by northern governmental insistence on the extension of deregulated market globalization intensifying poverty and social polarization, instability and conflict.” (33)

Although the language of reconstruction programmes is rife with terms such as “rights,” “good governance,” “sovereignty” and “democracy,” countries undergoing reconstruction do not appear to have the “right” to break with macro-economic orthodoxy, challenge imbalances of global power and resource distribution, and chart their own paths towards rebuilding their societies and economies. But as reconstruction descends into chaos, one is compelled to ask what an alternative model of reconstruction based on local and national aspirations and priorities, and on principles of equity, justice and peace-building would look like. How would people in these countries rebuild their lives if given the political and economic space, resources, and autonomy to do so?

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1. For a comprehensive discussion on the subject,

see Failed and Collapsed States in the International System, a report prepared by the African Studies Centre, Leiden; Transnational Institute, Amsterdam; Centre of Social Studies; Coimbra University; and The Peace Research Centre-CIP-FUHEM, Madrid. December, 2003.

2. Alejandro Bendaña, From Peace-Building to State-Building: One Step Forward and Two Backwards? Centro de Estudios Internacionales, Managua, Nicaragua. Presentation “Nation-Building, State-Building and International Intervention: Between ‘Liberation’ and Symptom Relief, CERI, Paris, October 15, 2004.

3. John P. McAndrew, Aid Illusions, Aid Infusions, Bilateral and Multilateral Emergency and Development Assistance in Cambodia, 1992-1995. Working Paper number 2, Cambodia Development Resource Institute, January 1996.

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