PKSOI Perspective

The Economic Instrument in Stability Operations
22 July 2009

by Joseph P. Gregoire, Professor of Economic Development, U.S. Army Peacekeeping and Stability Operations Institute

INTRODUCTION

On April 6, 2009, CNA and the U.S. Army Peacekeeping and Stability Operations Institute hosted a conference in Washington, DC, on governance, security sector reform, and economic growth. During the latter part of the conference, the participants examined the findings of a workshop on stabilization and economic growth of November 2008 that had focused on economic initiatives to be pursued during stability operations. These operations "encompass various military… activities con-ducted outside the United States in coordi-nation with other instruments of national power to [1] maintain or reestablish a safe and secure environment, and to [2] provide essential governmental services, emergency infra-structure reconstruction, and humanitarian relief effort." [1] The counterinsurgency that we are pursuing in Afghanistan—the "military, paramilitary, political, economic, pshchological, and civic actions" that we are taking "to defeat [the] insurgency"[2]—is a subset of stability operations. It is hoped that this article will help focus our civil-military economic effort in Afghanistan, our premise being that "correct thinking leads to correct actions; incorrect thinking leads to incorrect actions."[3]

UNCONVENTIONAL USE OF ECONOMIC INSTRUMENT IN STABILITY OPS

One of the two key questions that were posed at the November workshop was whether reactivating economic growth in a region just emerging from violent conflict—a semi-permissive environment in which stability operations are being conducted—calls for measures different from those typically applicable in a permissive or secure setting. Although almost all the participants at the workshop agreed that the measures appropriate in either setting are distinct, no participant articulated a simple clear-cut rule to facilitate appropriate action. The bottom line was that given the distinctness of the initiatives appropriate to either setting, their priority and sequencing should be a function of the urgency and level at which the needs of a populace must be met (humanitarian, developmental), the level at which the programs are to be pursued (national, regional, local), and the quality and quantity of resources that are or will be available (people, funding, infrastructure) during a given period.

One of the problems that personnel from the civilian development and humanitarian community face when trying to determine how closely they should work with military and other security forces engaged in stability operations is that the type of economic initiatives that may be appropriate to stability operations cannot easily be inferred from its definition. Are all the initiatives that are appropriate to stability operations necessarily congruent with those that may be particularly useful in a counterinsurgency or, more broadly, a conventional development program? In the first two instances, the economic initiatives that are apt to contribute most quickly to restoring security in non- or semi-permissive environments are distinctly different, as to their priority and sequencing, from the economic initiatives that can and should be pursued to promote sustainable economic growth in secure environments. In the former case, the rapid synergistic effect of economic initiatives on the restoration of sustained security is critical to success. The initiatives are distinctly different from those that are pursued in a conventional development setting in that in counterinsurgency and stability operations the initiatives must directly support the effort to restore security in a region through military means.

USE OF ECONOMIC INITIATIVES IN A COUTNERINSURGENCY SETTING

One of the distinctions that can be made in the use of economic initiatives in a narrowly-focused counterinsurgency and in broader-based stability operations is that in the latter case, greater consideration has to be given in the design and execution phases to the secondary and tertiary effects of economic initiatives on sustainable economic growth. The distinction is not self-evident; in both cases, the initiatives should generate benefits quickly for the populace of conflict-affected states. The first signs of progress should be evident within one to three months and the full effects of projects undertaken should be felt within twelve to fifteen months. In the case of stability operations, however, the economic initiatives must be such as to create or strengthen the base for sustainable economic growth, the intended end state of traditional development aid.

The dilemma this poses was well brought out at the conference by CNA's Carter Malkasian who discussed “the role of money or economic assistance in counterinsurgency efforts and how money may or may not help….” Dr. Malkasian noted that “a lot of things one does with money in a counterinsurgency setting to establish short-term security run counter to what one wants to do to establish long-term development and can even undermine those efforts.” Alluding to a classic of counterinsurgency literature, *War Comes to Long An: Revolutionary Conflict in a Vietnamese Province,* Dr. Malkasian remarked that “large-scale projects that do macroeconomic level development and policies were not really helping what was going on in the field” in Vietnam in the late sixties. One of the reasons is that such programs are generally not structured in a way that makes it possible to ask something in return from the intended beneficiaries when providing assistance at local level; that is, the programs fail to provide aid on the basis of contingent incentives to a populace that may benefit directly from it, such as the Viet Cong had been providing to the people in Long An. The result is that persons being assisted, even if only indirectly, benefit from economic assistance provided without strings and may remain insurgents since nothing is asked in return for the aid.

Dr. Malkasian also noted that the use of economic measures as a counterinsurgency tactic is quite unlike initiatives aimed at long-term development. He mentioned that "in counterinsurgency, building state legitimacy is something you generally want to see, but it can be secondary. You could prefer to build local allies over working with the government. That is certainly what happened most recently in Iraq." Similarly, to create jobs, "you may simply work with whatever provides jobs. And if that something is socialist, you may work with that. If it's something based on patronage, you may work with that." Concerning corruption, "you may even allow allies to remain corrupt when they are willing to work with you." However disquieting these observations may be, the fact remains that "there is no 'long term' if there is not security in the short term."

USE OF ECONOMIC ACTION IN BROADER STABILITY OPS SETTING

V. L. Elliott, an adjunct professor at the National Defense Intelligence College, participated in the April 6 conference in his private capacity. Speaking only for himself, he proposed a method to gain a strategic perspective of a country in which an internal war is underway, a perspective that includes the overall economy. Elliott suggested viewing the economy in an unstable country as a center of gravity. When a critical capability is overall economic stability (*i.e.*, reversing severe macroeconomic deterioration)—a well-established policy objective during internal wars—a critical requirement is sound monetary and fiscal policy. An important critical vulnerability is then the conflict between the demands of counterinsurgency operations, which Dr. Malkasian ably addressed, and economic stability. An example of this vulnerability is the demand that a counterinsurgency effort places on government budgets through payrolls for the military and civil service personnel to counter the insurgency, as well as for the other programs that they implement. Given the contrasting and competing demands that stem from trying to meet the urgent operational and economic stability requirements characterizing stability operations, it is not surprising that there are, as Dr. Malkasian noted, "fissures in interagency cooperation not only within U.S. government entities but also between donors in the field."

One distinction that should be made when designing and implementing economic initiatives in a stability operations setting, as contrasted with the processes to be followed when pursuing conventional development, is heightened awareness to the political-economic dynamics conditioning the environment in which the economic initiatives are to unfold. Because the measures that should be pursued in stability operations often involve the interests of powerful stakeholders of dubious merit, civilian stability operators need to be able to identify and accept the political-economic tradeoffs that will help restore security and hence livelihoods in a conflict-prone setting. Especially at the local level, some of the trade-offs may be problematic, but ill-advised reforms that jeopardize the interests of powerful political and economic stakeholders who may be induced to help resolve a conflict almost certainly will not endure.

The dilemma is that not all the stakeholders in the resolution of conflict are people with power. The victimized populace, the local officials and members of civil society organizations who empathize with the victims, and the officials and donors who function at higher levels of government all have a stake in the resolution of a conflict. The stability operators must work with all of them. As they pursue initiatives that aim to restore basic livelihoods and deliver essential services, they should help develop the capacity of officials to assume responsibility for the initiatives by the time that the stability operation has morphed to a state in which traditional economic and security assistance can become the dominant instruments of foreign intervention.

The distinct ways in which corruption may be dealt with in stability operations and under conventional aid programs throw light on how action in the first setting may set the stage for action in the second setting, even if the initial action is sub-optimal as perceived over a longer term. Dealing with powerful corrupt stakeholders in a conflict entails the risk of consolidating oligopolies of predatory elites and patronage networks, but the risk can be offset by the chance that these actors will "deliver" peace, however base their motives may be to do so. If stability interveners succeed in concomitant efforts to create and continually enlarge competitive markets, the oligopolies will increasingly account for a smaller share of overall market activity. If the gains made by more nimble entrepreneurs are large enough to keep all players in the market—if they believe they all can benefit from the continually increasing pie—ensuing economic growth may suffice to consolidate post-conflict political stability.

ZIG-ZAGING TO ESTABLISH THE GOOD ENOUGH

This being the lay of the land for the use of economic initiatives in stability operations, Dr. Frank Young, Vice President of Strategic Planning of Abt Associates, made one of the most useful observations at the April conference by noting that "the shortest distance between two points in development … is often a zigzag …. In the development business, 'fog' and 'friction' is what it is all about." Since "the friction points are always there and … development practitioners are never totally clear of the environment in which they are working," the strategy that underpins the initiatives to be pursued must be locally based. The practitioners must continually be flexible and adaptive and must have exceptionally high tolerance for risk. Since mistakes will be made, the practitioners must have substantial expertise and sound judgment; they need to know how to "develop remedies 'on the fly.'" As seasoned practitioners of strategy, they must think strategically, but act tactically. They must retain a vision of the big picture, and then put its little pieces together in a way that brings out what the policy makers have in mind.

Among these practitioners are members of the civilian community who continue to question the involvement of military forces in the provision of development aid; experience suggests that both play a role on a stage on which neither can appear in the best light unless each supports the other in their respective acts. Mr. Asif M. Shaikh, president of International

Resources Group, underscored this fact at the April conference when he said: "We in development cannot do what we do without security and stability. We can keep doing it, but we cannot achieve our mission." As indicated above, in stability operations we are engaging in the *economics of muddling through*, in environments in which there are no "neat, clean-cut solutions" to the problems at hand, in settings where we must often content ourselves with the 'good enough'. In Mr. Shaikh's own words, "it has to be 'good enough' in ways to materially alter, at scale patterns of violence, resentment and despair. It has to be 'good enough' in sustained ways that remain long enough so that people can begin to visualize a future that they prefer over the present; *i.e.,* it has to do with changing minds. It has to be 'good enough' in sustained ways where people can begin to visualize a shared interest with us or with the rest of the world for creating a future where we work together towards stability and peace." On the economic plane, achieving this 'good enough' is what stability operations is all about.

PRIMARY SOURCES:

Kramer, Franklin D., Thomas A. Dempsey, Joseph P. Gregoire, Richard D. Megahan, and Susan Merrill. Forthcoming. *The Path of Success in Irregular Conflict: Skilled Implementation of Governance, Security and Economics*. Alexandria: CNA.

Race, Jeffrey. 1972. *War Comes to Long An: Revolutionary Conflict in a Vietnamese Province.* Berkeley: University of California Press.

---

1 Joint Publication (JP) 1-02, *Department of Defense Dictionary of Military and Associated Terms (*Washington, DC: GPO, 4 March 2008).
2 lbid.
3 Race, Jeffrey. *War Comes to Long An: Revolutionary Conflict in a Vietnamese Province* (Berkeley: University of California Press, 1972, page 141).