

debates, they generally abstain from evaluating purported causal linkages or proposing steps to cut them. The absence of a conclusion reinforces the depressing sense that the filaments of “the tangled web” will remain tightly knotted.

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Trade, Aid and Security: An Agenda for Peace and Development

Edited by Oli Brown, Mark Halle, Sonia Pena Moreno, and Sebastian Winkler
London & Sterling, VA: Earthscan, 2007. 204 pages.

Reviewed by JOHN W. SEWELL

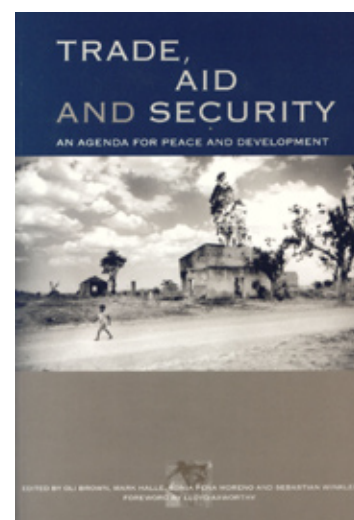
Trade, Aid and Security: An Agenda for Peace and Development undertakes the challenging task of assessing the interrelationships between trade and aid, as well as the complex causes of conflict within the poorest countries. Emerging from a four-year research collaboration between the World Conservation Union (IUCN) and the International Institute for Sustainable Development (IISD), this edited volume collects six papers by specialists in trade, aid, conflict, and sustainability. The editors’ goal is “to see these objectives—trade, aid, and security—as interlocking components of the overriding objectives of peace and development.”

Trade, Aid and Security is, in many ways, a pioneering volume. Starting from the premise that both aid and trade policies have sometimes exacerbated tensions and violent conflict within the poorest countries, it also argues that aid and trade policies can be tools to help prevent existing tensions or conflicts from turning violent. The chapters on designing conflict-sensitive

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trade policy, building markets for conflict-free goods, promoting conflict-sensitive business in conflicted areas, and managing resources (both natural and aid) are particularly strong. These analyses synthesize a great deal of information and research not normally considered by trade or aid specialists.

My definition of an “interesting” book is one that not only provides new information but also stimulates my own thinking about the broader ramifications of its analyses. The authors in this



volume raise the right issues and shed much light on the choices that will have to be made. But like all good analyses, *Trade, Aid and Security* raises some questions that have not yet been discussed seriously, especially by policymakers.

First, the papers present a seeming paradox: By its very nature, economic, political, and social development requires change—in laws, customs, practices, and even human behavior. But change is inherently conflictual and destabilizing. Some states in the process of development actually “fail”; others, unable to deal with the politics of change, give rise to authoritarian governments.

There is broad agreement that increasing the number of established market democracies benefits both rich and poor countries. Democracies tend to make better political and economic choices than non-democratic governments, and democratic states tend not to start wars with one another. Market economies also generate resources that can be used to invest in people, and market policies eventually promote democratization.

There is one catch, however: These benefits are realized only by *established* market democracies. The history of Europe and the United States in the 19th and 20th centuries should remind policymakers that achieving stable open markets and open societies was neither easy nor automatic. Indeed, the social welfare state was created specifically to deal with the social costs of unfettered market forces. Policymakers ignore the links between political and economic reform in countries where neither is established at their peril.

But if conflict is inherent in development and democratization, then conflict-prevention policies need to be linked to strategies for promoting market reforms and creating strong democratic institutions. Support for domestic institutions that mediate internal conflicts, whether economic or political, is essential, as are institutions that bridge ethnic or geographic divisions within countries, such as democratic institutions and civil society groups.

Governments in many countries are under great pressure, particularly from international

financial institutions, to convert inward-oriented, state-dominated economies to more open market-driven approaches, while also strengthening fragile new democracies. Either of these reforms is difficult to carry out under the best of circumstances; reconciling them is even more difficult.

Globalization has made both economic and political reform more difficult. Opening markets creates winners and losers, thereby shifting the distribution of economic power and wealth within developing countries. Various groups—ethnic, religious, political, and regional—have been winners and losers in this process, which has led to tension, contested policies, and increased conflict.

Moreover, globalization has limited the powers available to governments to manage conflicts brought about by economic change. Before globalization, governments could manage the speed of change by closing markets and limiting financial flows. These techniques are no longer effective, as the globalization of financial markets has made capital flows more volatile, and new trade agreements have prohibited many of the measures used previously to protect industries and groups. As a result, it is much harder for governments to redistribute income, assets, and economic power to compensate “losers” in the processes of change.

One thing seems clear: To manage the politics of economic and political change, policymakers and analysts must put a much higher premium on strengthening the institutions that mediate conflicts within countries and on building “constituencies for change” among groups within these countries (Rodrik, 1999).

Many of the authors in *Trade, Aid and Security* emphasize the need to develop conflict-sensitive policies, particularly in aid programs. Indeed, they make a number of useful recommendations for specific policies designed to diminish conflict. But they fail to consider that the development promotion business and the role of the outsider have changed.

Fifty years ago, official development assistance (ODA) volume and policy was dominated

by the United States; the World Bank still was a bank; and the International Monetary Fund (IMF) was focused on the problems of the OECD countries.

Today, the development landscape is much more complex. The Bretton Woods institutions now dominate the development debate, but provide only a small percentage of overall ODA. The situation is further complicated by the proliferation of other bilateral providers and multilateral programs. Each has its own history and constituencies, as well as national and regional interests. International NGOs are now important players in development, both as providers of assistance and as active lobbyists on the global level. And philanthropic foundations, notably the Gates Foundation, have become important providers, while multinational corporations are establishing their own aid programs.

The current reality is that too many ODA providers are trying to do too many things, in too many countries. We need to seriously rethink the ways and instruments through which ODA is provided (e.g., Sewell, 2008).

Those seeking to prevent conflict should also focus on the *politics* of change, both within the poorest countries and within the rich countries. Several chapters in *Trade, Aid and Security* make the case that resources, whether derived from aid flows or legitimate trade, often are not equitably distributed or used to end poverty or promote sustainable development. Instead, they are captured by special interests or steered to political elites. Furthermore, globalization has led to increased income inequalities even within rapidly growing developing countries (as well as between rich and poor countries).

Nigeria's situation is illustrative of the complexity of the trade-aid-security nexus. Rich in natural resources, it is rife with ethnic and religious conflicts and highly political disputes over the distribution of oil and gas revenues. Nigeria does not lack the resources to end poverty and sustain its deteriorating environment, but successive civilian and military regimes have squandered its riches, and recent elected governments have not substantially changed the

situation. Outside agencies must consider how best to help those who want to change politics within their own countries.

Politics also have a considerable impact on rich countries' development policies. For instance, U.S. and European agricultural policies are designed to benefit domestic agricultural constituencies, despite the fact that subsidies and lack of market access disadvantage producers in poor countries. In addition, donors still give a great deal of aid to middle- and upper-income developing countries to support political or commercial interests that may be legitimate, but do not promote development. Yet, until recently, those groups trying to reduce conflict have not focused on the trade and aid policies of rich countries.

Finally, *Trade, Aid and Security* would have been strengthened by a chapter on the impact of the international financial system on conflict and sustainable development. As the Asian financial crises of the 1990s demonstrated, poor people and poor countries suffer disproportionately from financial instability. Barry Eichengreen (2004) estimates that financial instability in the 1980s cost Latin American countries at least two percentage points of economic growth. Other analyses show that over the last quarter-century, financial instability has reduced the incomes of developing countries by roughly 25 percent.

Restructuring the international financial system by making existing financial institutions more effective can help dampen the costly instabilities inherent in a globalized financial system that has no effective international regulation. There are, however, political costs to reforming the key multilateral institutions. The decision-making structure of the IMF was originally set up so that both borrowers and lenders had a voice in the fund's policies. But no industrial country has borrowed from it since the mid-1970s; the main borrowers are now poorer developing countries, which have much less voice in the institution's governing board. More adequate representation in international financial institutions for developing countries would increase the legitimacy of



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financial policies now seen by the South as being imposed by the North.

There already are many volumes on trade and its impact on poverty and aid policies. Few, however, transcend the compartmentalization of both academic disciplines and policymakers. *Trade, Aid and Security* does, and for this reason alone, it should be read by students and practitioners. The important issues it raises are a welcome contribution to the knowledge of the links connecting aid, trade, and conflict.

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The Upside of Down: Catastrophe, Creativity, and the Renewal of Civilization

By Thomas Homer-Dixon

Washington, DC: Island Press, 2006. 448 pages.

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Richard A. Matthew is an associate professor of international and environmental politics in the Schools of Social Ecology and Social Science at the University of California at Irvine, and director of the Center for Unconventional Security Affairs (<http://www.cusa.uci.edu>). Recent books and co-edited volumes include *Reframing the Agenda: The Impact of NGO and Middle Power Cooperation in International Security Policy* (Praeger, 2003) and *Landmines and Human Security: International Relations and War's Hidden Legacy* (SUNY Press, 2004).

His latest book, *The Upside of Down: Catastrophe, Creativity, and the Renewal of Civilization*, deserves a wide readership and should be the focus of animated discussions in classrooms, journals, and policy arenas around the world.

In his first study, *Environment, Scarcity, and Violence*, Homer-Dixon argued that societies were experiencing natural resource scarcities that, in turn, often triggered or amplified diffuse forms of violent conflict. In his second major work, *The Ingenuity Gap*, he built on his earlier research to argue that contemporary societies often fail to generate or deliver ingenuity where it is needed to solve serious social and environmental problems.

With *The Upside of Down*, he has moved confidently into the realm of grand theory. The book's major arguments—which can be classified into three sets—are concise, accessible, and supported by 100 pages of detailed notes that suggest mastery of an enormous and diverse literature. He integrates ideas in novel ways to generate compelling explanations, but he is also cautious, emphasizing areas of uncertainty and

University of Toronto Professor Thomas Homer-Dixon writes provocative and influential books on issues of global importance, roaming effortlessly across scholarly disciplines and distilling insights from complex theoretical literatures. His arguments illuminate complicated global processes, describe the problems they generate and their likely trajectories, and identify responses that individuals, businesses, and policymakers should consider.

