Terrorism& Development

Using Social and Economic Development to Inhibit a Resurgence of Terrorism

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PREFACE

This report examines social and economic development policies enacted by three countries—Israel, the Philippines, and the United Kingdom—to inhibit a resurgence of terrorist violence within their territorial jurisdictions. The analysis focuses on development initiatives that have been incorporated in wider peace and conflict resolution efforts in an attempt to mitigate local perceptions of past wrongdoings in communities that support terrorist groups. The research was designed to inform the U.S. governmental decisionmaking community of the benefits and possible pitfalls of emphasizing a specific social and economic dimension in strategies to counter the problem of terrorism.

In the months immediately following the September 11, 2001, terrorist attacks on the United States, RAND undertook several research projects related to counterterrorism and homeland security topics as elements of its continuing program of self-sponsored research. This report is the result of one of those research projects. The work was supported through the provisions for independent research and development in RAND's contracts for the operation of Department of Defense federally funded research and development centers: Project AIR FORCE (sponsored by the U.S. Air Force), the Arroyo Center (sponsored by the U.S. Army), and the National Defense Research Institute (sponsored by the Office of the Secretary of Defense, the Joint Staff, the unified commands, and the defense agencies). Dr. C. Richard Neu, Assistant to RAND's President for Research on Counterterrorism, provided overall supervision for this research. Comments on this study are welcomed and should be addressed either to the two authors or to Dr. Neu.

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SUMMARY

Three countries—Israel, the Philippines, and the United Kingdom (U.K.)—have enacted social and economic development policies to inhibit a resurgence of terrorism within their jurisdictions. The efforts of these countries demonstrate the potential benefits and shortcomings of using social and economic development as a counterterrorism tool.

In each case, social and economic development initiatives were considered integral parts of wider peace processes:

- In Israel, the Paris Protocol of Economic Relations, which provided Palestinians in the West Bank and Gaza Strip (WBGS) with various economic and trade incentives, accompanied the 1993 Oslo Accords for establishing the Palestinian Authority (PA).
- In the Philippines, the 1996 Davao Consensus, which created a limited Autonomous Region of Muslim Mindanao (ARMM), was underpinned by a wider Special Zone for Peace and Development (SZOPAD) dedicated to the enactment of social and economic programs.
- In the United Kingdom, the 1998 Good Friday Accords for establishing home rule in Northern Ireland included a social and economic commitment from the British government as well as special arrangements for communal "peace money" from the European Union (EU).

Each case offers its own unique lessons that led us to the following six overall conclusions about the role of social and economic development in countering a resurgence of terrorism:

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1. Social and Economic Development Policies *Can* Weaken Local Support for Terrorist Activities.

Social and economic development policies can contribute to the expansion of a new middle class in communities that have traditionally lent support to terrorist groups. In many cases, this section of the population has recognized the economic benefits of peace and, as a result, has worked to inhibit local support for terrorist activities.

In Northern Ireland, for example, a new middle class (and business elite) has emerged that has directly benefited from the development programs. Members of this particular demographic sector have formed important mediation networks to reduce violence between supporters of militant Protestant groups and those sympathetic to the cause of the Real Irish Republican Army (RIRA). Commercial interest groups have also acted as a brake on Republican and Loyalist violence, discouraging the retaliatory riots and attacks that traditionally occur during Northern Ireland's tense marching season.

2. Social and Economic Development *Can* Discourage Terrorist Recruits.

Many terrorist organizations attract new members from communities in which terrorism is generally considered a viable response to perceived grievances. Some terrorist groups also offer recruits financial incentives and additional family support. Social and economic development policies can help to reduce the pools of potential recruits by reducing their perceived grievances and providing the members of these communities with viable alternatives to terrorism.

For example, two development projects in the southern Philippines—asparagus and banana production—have been particularly effective in providing economic alternatives to communities that have traditionally lent a high degree of support to local terrorist groups. In the latter case, private investment has resulted in almost 100 percent employment and transformed an area previously known as "the killing fields of Mindanao" into a largely peaceful community.

Of course, not all terrorist recruits come from poorer communities. Depending on the region and the nature of the conflict, terrorists can just as easily come from the middle or upper classes as from the

poorer sections of society. In the countries we examined, extremist groups recruited across the class spectrum, with general support from local communities. In several instances, however, among other motivating factors, inductees were attracted to the financial opportunities that were provided by terrorist organizations.

3. Inadequately Funded Social and Economic Policies Are Likely to Inflate Expectations and Renew Support for Terrorism.

For social and economic policies to be effective, they need to be funded according to the relative size, geography, and needs of targeted communities. If development initiatives lack sufficient financial support, they are likely to act as a double-edged sword, erroneously inflating the hopes and aspirations of local communities. When these expectations are not met, there is a high chance that social and economic policies will backfire, triggering resentment and renewed support for terrorist violence.

Consider the positive example of Northern Ireland, where considerable public expenditures have been set aside to target social needs. Since 1997, the United Kingdom has spent an average of US$869 million annually on these efforts. The EU has added another US$48 million annually, generating a total aid package that has amounted to roughly US$543 per person per year (see Table S.1).

Table S.1

Social and Economic Development in Northern Ireland, Mindanao, and the West Bank/Gaza Strip
(annual per capita funding in US$)

	Northern Ireland (1997–2001)	Mindanao (1996–2001)	West Bank/Gaza Strip (1993–1999)
Central government	515	2	69
International community	28	4	74
Total	543	6	143

NOTE: These figures should not be compared in an absolute sense, as differing levels of development cause the actual value and purchasing power of the US$ in each society to necessarily vary.

The main focus for much of this investment has been large-scale projects dealing with education, health, housing, infrastructure, and urban redevelopment. Many of these initiatives have borne significant dividends. For example, there is now virtually no difference between Catholics and Protestants in terms of access to schools, hospitals, and suitable domiciles. Inner cities in Belfast and Londonderry have been transformed on the heels of sustained regeneration schemes.

A negative example is the southern Philippines, where social and economic aid totaled only US$6 per person per year over a period of five years (see Table S.1). This meager sum helps to explain the dismal failure of most of the development policies instituted in Mindanao to inhibit support for terrorism. Compounding the situation, most of the money was channeled to Christian-populated areas, merely exacerbating already existing wealth differentials between Christian and Muslim communities. The combined effect has been to nurture and, in certain cases, intensify support for local terrorist and extremist groups.

4. The Ability of Development Policies to Inhibit Terrorism Depends on Their Implementation.

The most successful social and economic development policies are those that are (1) developed in consultation with community leaders, (2) based on needs assessments that address the specific requirements of targeted communities, and (3) accompanied by disbursement mechanisms that ensure proper fiscal management and nonpartisanship.

For example, the EU has administered its programs in Northern Ireland in a way that avoids inadvertently reinforcing intercommunal hatred. This has been achieved by involving local residents in the design of specific projects and by including a transparent distribution and oversight system. Many schemes also hold local Catholic and Protestant representatives accountable for implementing the projects jointly with members of the opposing community. As a result, funding and implementation of particular programs are generally not perceived as underhanded or manipulative.

By contrast, most development policies in the Philippines and in Palestinian areas have failed to meet the needs of local communities, have been plagued by poor project choices, or been marred by corruption.

In Mindanao, most of the large-scale development schemes funded by Manila were determined without comprehensive, community-based needs assessments. Programs tended to focus on high-profile initiatives that offered a quick return on investment—not projects that the communities needed most. The central government also failed to establish adequate mechanisms to ensure accountability for the development aid that was transferred to Mindanao, much of which was misappropriated as a result of bribery and kickbacks.

In the WBGS, development money paid for such large-scale infrastructure projects as the Gaza port and airport, as well as for a high-profile housing complex known as the Karameh Towers, which offered 192 apartments for sale in Gaza for US$30,000 each. That price is far above what an average family in Gaza can pay for a home; the average annual income in Gaza fluctuates between US$1,200 and US$600. Thus, these development schemes had little, if any, relevance to the everyday needs of ordinary Palestinians. While other quality-of-life projects were also instituted, most suffered as a result of mismanagement and corruption.

5. Social and Economic Development Policies *Can* Be Used as a "Stick" to Discourage Terrorism.

Development assistance can be made conditional on the absence of violence, creating a useful "stick" to discourage support for terrorists. For example, Israeli authorities have frequently closed off Israel to Palestinian commuters in response to surges of violence from militant groups. Similarly, as a punitive measure for increases in terrorism, the Israeli government has withheld tax revenue due to the PA. To a certain extent, these policies have been instrumental in triggering communal pressure against such groups as the Palestinian Islamic Jihad and Hamas to limit their attacks.

Overuse of this tool, however, carries the risk of negating the overall positive effect of development policies. Indeed, Israeli authorities have used the closure tool so often that it has cost the Palestinian

economy more than twice the amount of development aid channeled to the area since 1993. This outcome has caused many Palestinians to view the peace process as detrimental, rather than beneficial, to their interests, welfare, and security.

6. Social and Economic Development Policies Do *Not* Eliminate Terrorism.

Although social and economic development—when properly supported and implemented—can inhibit terrorism, development alone cannot eliminate it. Development is most effective when it is incorporated into a multipronged approach that includes wider political, military, and community-relations dimensions. These qualifications aside, there is a noteworthy potential for development policies to reduce the threat of terrorism.

These conclusions have particular relevance to the United States as it embarks on its continuing war on global terrorism. In several regions (e.g., the Philippines, Pakistan, Indonesia, and central Asia), the judicious use of foreign assistance could reduce local support for terrorist groups, including organizations that have been tied to wider transnational Islamic extremism. The lessons derived from Northern Ireland, the Philippines, and the WBGS strongly suggest that development assistance should be framed within a strategic political and military framework that goes beyond simply distributing aid and remains acutely sensitive to the risks associated with poor implementation and support.

ACKNOWLEDGMENTS

Several people in the Philippines and Northern Ireland were integral to the completion of this research, providing information on social and economic development projects in those areas as well as their successes and failures. The authors have not included a list of these individuals' names inside this report at their request. Yet the authors did want to highlight and extend a particular note of thanks to Amina Rasul-Bernardo, Senior Fellow, United States Institute for Peace (USIP), Washington D.C. and Dominic Bryan, Director, Institute of Irish Studies (IIS), Queen's University, Belfast.

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ACRONYMS

ARMM	Autonomous Region of Muslim Mindanao
ASG	Abu Sayyaf Group
CPRS	Center for Palestinian Research and Studies
DOP	Declaration of Principles
EU	European Union
IFB	Intermediary Funding Body
IRA	Irish Republican Army
LVF	Loyalist Volunteer Force
MILF	Moro Islamic Liberation Front
MNLF	Moro National Liberation Front
NIHE	Northern Ireland Housing Executive
PA	Palestinian Authority
PADICO	Palestinian Development International Corporation
PIRA	Provisional Irish Republican Army
PLO	Palestinian Liberation Organization
RIRA	Real Irish Republican Army
SPCPD	Southern Philippine Council for Peace and Development
SZOPAD	Special Zone for Peace and Development
U.K.	United Kingdom
UN	United Nations
USAID	U.S. Agency for International Development
VAT	Value-added tax
WBGS	West Bank and Gaza Strip

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Chapter One

INTERPRETING THE PROBLEM

This report examines social and economic development policies enacted by three countries—Israel, the Philippines, and the United Kingdom (U.K.)—to inhibit a resurgence of terrorist violence within their territorial jurisdictions.[1] To do this, the study incorporates an evaluation of the types of projects chosen and their implementation to ascertain the benefits and shortcomings of using social and economic development as a counterterrorism tool.

There has been significant disagreement in academic and policy-making communities as to what exactly constitutes "development" as well as "terrorism."[2] This analysis, therefore, begins with a short explanation of development, terrorism, and the interaction between the two. For the purpose of this analysis, *development* is defined as

[1]We chose these countries because their governments negotiated peace agreements with terrorist organizations operating in their societies and development policies were an integral part of these peace processes: The 1993 Oslo Accords (Declaration of Principles), the peace agreement between Israel and the Palestinian Liberation Organization (PLO) that established the Palestinian Authority (PA), was accompanied by the Paris Protocol of Economic Relations (Economic Protocol). The 1998 Good Friday Accords (Belfast Agreement), which established home rule in Northern Ireland, included a social and economic commitment from the United Kingdom and was accompanied by an aid package from the European Union (EU). Similarly, the Davao Consensus, the agreement between the Philippine government and the Moro National Liberation Front (MNLF), established the Special Zone for Peace and Development (SZOPAD) for targeted social and economic funds.

[2]For a brief discussion of the evolution of these two terms see Hoffman (1998, pp. 13–44) and Martinussen (1997, pp. 28–37).

> a process whereby the real per capita income of a country increases over a long period of time while simultaneously poverty is reduced and the inequality in society is generally diminished—or at least not increased.[3]

Terrorism is defined as

> the deliberate creation and exploitation of fear through violence or the threat of violence in the pursuit of political change.[4]

As Hoffman states,

> Terrorism is specifically designed to have far-reaching psychological effects beyond the immediate victim(s) or object of the terrorist attack. It is meant to instill fear within, and thereby intimidate, a wider "target audience" that might include a rival ethnic or religious group, an entire country, a national government or political party, or public opinion in general.... Through the publicity generated by their violence, terrorists seek to obtain the leverage, influence and power they otherwise lack to effect political change on either a local or an international scale.[5]

Though some might surmise that poverty causes violence,[6] the link between terrorism and development, as defined above, is by no means self-evident. In fact, two of the countries included in this analysis—Israel and the United Kingdom—are generally considered "developed" and yet are still subjected to terrorist attacks. Equally, the Philippines is not as impoverished as any number of polities that have yet to experience widespread terrorist violence, for example, in Africa. Part of this discrepancy is definitional: While *development* refers to the economic, social, and political conditions of a particular state's population in its entirety, the terrorist organizations considered in this analysis recruit and operate only from marginalized sec-

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[3]Martinussen, 1997, p. 37.

[4]Hoffman, 1998.

[5]Hoffman, 1998, p. 44.

[6]During a March 2002 United Nations (UN) summit in Monterrey, Mexico, for instance, world leaders appeared to make a direct causal link between terrorism and poverty. A similar assertion was made at the World Economic Forum held in New York a week earlier. See "World Leaders Blame Poverty for Terrorism," 2002.

tions within their countries of origin.[7] More specifically, a direct causal link between a lack of development and terrorism has yet to be proven empirically.[8]

This report, therefore, does not interpret the nexus between terrorism and development as a cause-and-effect relationship. On the contrary, we stipulate that the link between the two is much more subtle. In his book, *Negotiating Peace*, Paul Pillar argues that conflict can be interpreted as a form of bargaining, with its own discourse of accusations and wrongdoings, which is often distinct from the cause or reality of the original conflict.[9] This general pattern was certainly true of the terrorist organizations and their support communities included in this study.[10] For example, in the Catholic Republican communities of Northern Ireland, popular backing for the Provisional Irish Republican Army (PIRA) tended to be viewed through the

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[7]Given this reality, the relationship between development and terrorism might be better understood using the theories of economists like Amartya Sen, who interpret development in a wider political and social context (Sen, 1999). This study, by contrast, is not trying to pinpoint specific linkages between terrorism and development. Rather, we are simply acknowledging that the countries and terrorists groups included in this study perceived a relationship between the two and negotiated peace agreements based on this perception. Therefore, for this analysis, the definition provided by Martinussen (1997) is adequate.

[8]This topic has been argued on and off for approximately 40 years without any real resolution. In his *Why Men Rebel* (1970), Ted Gurr argues that in some circumstances a collective views itself as deprived *relative* to those around it and therefore instigates violence. Paul Collier (2000), on the other hand, demonstrates that economic grievances are not a determining factor for conflict.

[9]Pillar, 1983, pp. 1–16, 64–89, 236–241.

[10]In a number of instances, the information included in this report is based on a series of author interviews conducted in Belfast and Manila. In addition, the authors have made separate research trips to the United Kingdom, Philippines, and the Occupied Territories. In each of these interviews, the authors were asked to keep the interviewees' identities and roles confidential, mainly for security and political reasons. With regard to Northern Ireland, these interviews included government officials in Northern Ireland and London as well as representatives from the conflict resolution community, academic community, and Sinn Fein. In the Philippines these interviews included former and current elected representatives from Mindanao, members of the current administration in Manila, and former and current leaders of terrorist organizations in the region. Finally, information on the Occupied Territories is taken primarily from secondary source material, though it is supplemented with information gathered by one of the authors on previous trips to East Jerusalem, Ramallah, Nablus, Gaza City, and the Jebaliya refugee camp in May 2000. This field research included interviews with former PA officials, former members of terrorist organizations in the area, academics, and residents and community leaders in the Gaza Strip.

lens of repression—the British denied Irish access to political, social, and economic opportunities simply for reasons of ethnicity and religion.[11] Similarly, in the West Bank and Gaza Strip (WBGS), Palestinian supporters of al-Fatah and the Palestinian Liberation Organization (PLO) frequently justified the use of terrorism on the grounds that the Israeli military forced them out of their rightful territory and into refugee camps, where they had only limited access to shelter, food, and water, not to mention education and health services.[12] Finally, in Mindanao, advocates of the Moro National Liberation Front (MNLF) claim that the Christian-dominated central government of the Philippines has not only ignored the needs of the local Moro population, but also violently repressed Muslim dissent.[13]

The cause of these conflicts might, in reality, differ completely from these expressed grievances, but negotiators from governments in London, Manila, and Jerusalem still had to deal with the political, economic, and social grievances summarized above as part of their peace and reconciliation efforts.[14] This analysis, therefore, focuses on the point at which governments attempt to enact economic and social policies to address the perception of past wrongdoings in communities that support terrorist organizations. Ruling administrations do this not necessarily out of any moral imperative, but in the interest of preventing resurgence in terrorist activities.

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[11]For further discussion on Northern Ireland, see Coogan (1995) and Bell (2000, pp. 1–55).

[12]Following the Arab-Israeli War in 1948, Palestinians still clung to the belief that they could return to and control the entire area now known as Israel and the Occupied Territories. This perspective changed in the 1960s, however, and the PLO began to call for a separate Palestinian state. For further discussion on the history of the Arab-Israeli conflict and the Palestinian refugees see Morris (1999, pp. 174–249), and on Palestinian perceptions, see Mishal and Sela (2000, pp. 13–55).

[13]For a discussion on the Philippines, see Marks (1996, pp. 83–284) and Chalk, "Davao Consensus" (1997).

[14]Mitchell, 1999; Chalk, 1997; Brynen, 2000, pp. 33–71.

Chapter Two

NORTHERN IRELAND

Civil violence has been a feature of Northern Ireland's political landscape for almost a century.[1] The contemporary conflict has essentially focused on the conflicting ambitions of militant extremists in both Catholic and Protestant communities. The former have waged a bloody campaign to wrest Northern Ireland from British control so that it can be reunited with the Catholic-dominated Republic to the south (hence their designation as "Republicans"). The latter, fearing a loss of status and privilege in what would be a largely non-Protestant polity, have forcefully rejected any change in the constitutional status of the province and fought to ensure that it remains an integral component of the United Kingdom (therefore their designation as "Loyalists").[2]

The onset of Northern Ireland's present "Troubles" dates back to the late 1960s and the outbreak of sectarian riots following Protestant mob attacks against Catholic civil rights marches. Although the circumstances surrounding this violence involve a long history of sectarian tension, as summarized above, the sectarian tensions have been compounded by political, economic, and religious grievances in the area. In what many commentators believe to be one of the finest maiden speeches given before the British Parliament,

[1]In his book chronicling the Irish Republican Army (IRA), Tim Pat Coogan traces the conflict between Northern Ireland's Catholics and Protestants back to the 1916 rebellion. See Coogan (1993).

[2]Perhaps the seminal account of the Northern Ireland conflict is provided in Tim Pat Coogan's *The Troubles: Ireland's Ordeal 1965–1995 and the Search for Peace* (Coogan, 1995).

Bernadette Devlin succinctly summarized the general social and economic realities feeding the province's explosive climate at this time:

> The question before the House, in view of the apathy, neglect and lack of understanding which this House has shown to the people in Ulster that it claims to represent, is how, in the shortest space it can make up for fifty years of [Catholic] neglect, apathy and lack of understanding. Short of producing . . . factories overnight in Derry and homes overnight in practically every area of Northern Ireland, what can we do? [3]

During the Troubles, the PIRA served as the main Republican militant organization in Northern Ireland. Initially created as an anti-Protestant protection force, the group recruited its members and received support from those Catholics who believed that terrorist violence would bring about Northern Ireland's eventual independence from the United Kingdom.[4] Although the PIRA remains structurally intact, concerted military operations were suspended in 1994 under the conditions of the Supplementary Framework Document.[5] This truce was then made permanent in 1997 as a part of the Belfast Agreement.[6]

DEVELOPMENT POLICIES

Even before the Belfast Agreement, the British government had recognized the role of perceived grievances in fueling the conflict in Northern Ireland.[7] Since 1997, however, considerable public expenditure has been set aside to target social need as part of the overall

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[3]U.K., *Hansard*, 1969.

[4]This support for violence was not advocated by even a majority of the Catholics living in Northern Ireland. Those who believed in a peaceful revolution supported the Social and Democratic Labor Party. Of course, the PIRA also received support from outside Northern Ireland, while members have been known to engage in extortion and other criminal activities to supplement the PIRA's income.

[5]For further details, see "Ulster Peace: How Fragile?" (1995) and "Britain and Ireland Issue a Plan" (1995).

[6]Text from the Belfast Agreement can be accessed online; see U.K., "Belfast Agreement" (2002).

[7]Social Disadvantage Research Centre, June 2001, p. 4.

attempt to mitigate sectarian violence and tension in the province. The main focus of this development has been on large-scale projects such as education, health, housing, infrastructure, and urban regeneration projects that focus on rebuilding and renovating major metropolitan areas.[8] The stated objective of these initiatives is to expedite an increase in the quality of life in the poorer areas of Northern Ireland, thereby moving the province from a "contested" to a "shared" society, where sectarian divisions are subsumed within a wider vision of Catholic and Protestant peace.[9]

In addition to large-scale unilateral investment, the U.K. government and the European Union (EU) jointly fund Brussels-administered "peace money," or small-scale development grants that are disbursed to communities in Northern Ireland.[10] This program actively involves local residents in the design and implementation of specific projects.[11] To access peace money—which is not meant for initiatives that are considered to fall within the obligations of the United Kingdom under the Belfast Agreement—applicants must demonstrate that their projects will inhibit conflict and bolster community relations. Once approved, grants are released to Intermediary Funding Bodies (IFBs) made up of independent European and other outside observers, which, along with local recipients and community leaders, oversee the allocation of grants.[12] Table 2.1 outlines public social and economic development funds committed to Northern Ireland from 1997 through 2000.

Finally, the U.K. government has worked with Northern Ireland's elected officials to promote private investment, the bulk of which has

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[8]U.K., Office of the First Minister and Deputy First Minister, 2001.

[9]Ibid. For a detailed account of the current institution of programs in these areas, see U.K., Northern Ireland Executive (2001).

[10]The U.K. government provides approximately GBP6 billion annually to the governing body of Northern Ireland, not including funds for social security and welfare benefits. In contrast, other "peace money" amounts to approximately GBP65 million annually. As a result, the larger infrastructure, health, and education projects are generally funded with U.K funds, while small-scale community projects are financed through "peace money" grants (author interviews, Belfast, 2002). More information on the EU program can be accessed online at http://www.E.U.-peace.org.

[11]See Hughes et al. (1998); Ellis and McKay (2000, p. 53); and Bryan (2002, pp. 10–11).

[12]Author interviews, Belfast, 2002.

Table 2.1

Social and Economic Development Funds in Northern Ireland, 1997–2000 (in US$)

	Three Years	Annually	Per Person
United Kingdom	2,607,000,000	869,000,000	515
"Peace money"	144,000,000	48,000,000	28
Total	2,751,000,000	917,000,000	543

NOTE: The numbers in this table are rough estimates approximated from the United Kingdom, *2000/2001–2002/2003 Budget for Northern Ireland,* available online at http://www.nics.gov.uk/pubs/newbudgt.pdf. It includes budget numbers for sectors such as roads, transportation, air and sea ports, water and sewage, housing, urban regeneration, and community development. It does not include health, welfare, or social security funds. Population figures for Northern Ireland are estimated at 1,688,600. (See U.K., "Population Figures," 2001.)

been incorporated into wider urban regeneration policies. As part of this effort, Westminster and Stormont[13] have offered tax incentives to encourage national and multinational companies to move to the area.[14] Public funds have also been made available to help offset the initial costs of relocating businesses to the province.[15] These urban regeneration programs have focused on Belfast, which represents perhaps the clearest example of entrenched sectarian polarization in Northern Ireland.[16] Other initiatives have been channeled through enterprise partnership schemes and government-sanctioned programs designed to increase employment opportunities in the private sector.[17]

POLICY IMPLEMENTATION

As mentioned previously, the development programs funded by Northern Ireland's government, the United Kingdom, and the EU are

[13]The term *Stormont* refers to the governing body in Northern Ireland.

[14]Author interviews, Belfast, 2002.

[15]Sources informed us that though public funds were a part of urban regeneration until 2000, they have now been determined unnecessary to encourage private investment.

[16]Author interviews, Belfast, 2002.

[17]Ibid.

part of a wider peace and reconciliation process in Northern Ireland. In pursuit of this objective, each of the programs administered by Stormont, Westminster, or Brussels have

- created mechanisms for determining local needs
- maintained transparent systems of administrative oversight and accountability for evaluating the use of funds
- included a participatory element, which has allowed community leaders a level of discretionary power in the allocation of funds.[18]

Many of the resulting projects have borne significant dividends. For example, a needs and effectiveness evaluations report commissioned in 2002 by the Office of the First Prime Minister (Northern Ireland) and Deputy Minister (Department of Finance and Personnel)[19] shows that there is now virtually no difference between Catholics and Protestants in terms of education, health, and housing—no mean feat given the inequalities that existed in the 1960s.[20]

In addition, new private investment has helped transform Northern Ireland's inner city areas. This is especially true of Belfast and Londonderry, both of which have experienced an influx of commercial activities, including multinational hotel and retail chains.[21] Admittedly, this regeneration is due, in part, to wider positive trends that have occurred in the U.K., Irish, and EU economies. Nonetheless, local officials believe that the peace process and public investment in-

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[18]These criteria were derived from multiple interviews in Belfast, including government authorities, academics, and local recipients of IFB funds, February 11, 2002.

[19]At the time of publication, this report had not yet been made available to the public, though the authors were provided with these preliminary findings in an interview (author interviews, Belfast, 2002).

[20]For example, in 1967 unemployment in the Irish-Catholic communities was 20 percent, as compared to 8 percent among Protestants and 2.5 percent in England. Paul Mitchell and Rick Wilford, 1999, p. 30.

[21]This influx has been promoted by the Making Belfast Work and Londonderry Initiative economic and social development policies that have targeted the urban centers of Northern Ireland. See Office of the First Minister and Deputy First Minister (2001) and Bryan (2002, pp. 13–14).

centives have also made a significant contribution, creating a business environment that is both safe and cost-efficient.[22]

IMPACT ON THE REEMERGENCE OF TERRORISM

In some instances, these social and economic development policies have inhibited the reemergence of terrorism so that it has not reached the levels seen in the 1970s and 1980s. For example, an emergent middle class and business elite have appeared that have directly benefited from development programs in Northern Ireland's cities since the Good Friday Accords.[23] This new demographic sector has begun to play a prominent role in Republican-Loyalist conflict mediation, facilitating nascent cross-community linkages through joint denominational initiatives such as the "city vision" processes in Belfast and Londonderry.[24] Moreover, business interests are playing an active role in dampening prominent interfaces of sectarian tension, something that has been particularly evident during the tense marching season when communal riots have the potential to bring

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[22]We spoke with government officials in Northern Ireland on the difficulty of separating general positive trends in the Irish and U.K. economies from the benefits derived from Stormont's regeneration policies. These officials admitted that it was difficult to split the two, but there was consensus that the public incentives brought industries into the area that might otherwise have been wary of investing, no matter what spillover benefits came from the expanding U.K. and Irish economies (author interviews, Belfast, 2002).

[23]Author interviews, Belfast, 2002. It is difficult to quantify the development and expansion of this new middle class in Northern Ireland due to preexisting disparities between Protestant and Catholic workers, though there was a general consensus among those we interviewed that the expansion was real. Some general indicators do support this belief. For example, in 1994 the average gross weekly income for workers in Northern Ireland was approximately 30 percent lower than it was for the rest of the United Kingdom; see U.K., Department of Economics (1996). By 2001, however, Northern Ireland's average gross weekly income figures had begun to converge with the rest of the United Kingdom; see U.K., "About Northern Ireland" (2002) and "A Profile of Protestants and Roman Catholics" (2001). Two industrial sectors are responsible for most of this employment income and growth: sales occupations and professional occupations, which seems to indicate an increase in what is generally viewed as middle-income jobs. See "A Profile of Protestants and Roman Catholics" (2001).

[24]Bryan, 2002, pp. 13–14. The city vision processes are undertaken by partnership boards (made up of members from both statutory and community bodies) and aim to create unified metropolitan areas that are no longer dissected by sectarian stress and communal violence and population shifts.

urban economic activity to a standstill.[25] Similarly, commercial interest groups have acted as a "brake" on both Republican and Loyalist violence by discouraging retaliatory riots and attacks.[26]

Despite this success, development policies have not been able to solve the problem of terrorism in Northern Ireland. Indeed, at least two groups have yet to renounce terrorism—the Real Irish Republican Army (RIRA) and the Loyalist Volunteer Force (LVF)—both of which retain a residual level of popular support.[27] Similarly, riots and clashes continue to occur between members of Republican and Loyalist communities. Finally, physical barricades still exist as a very real manifestation of suspicion between Protestant and Catholic communities, particularly in densely populated cities like Belfast. Though it is possible to pass from one neighborhood to another during the day, intercommunal travel is still heavily controlled at night.[28]

To a certain extent, this general situation reflects deep-seated communal hostilities that for some trace as far back as the Battle of the Boyne in the 17th century. It also demonstrates that the social and economic policies implemented in Northern Ireland, while considered by most as successful, have yet to facilitate the emergence of a viable, cross-communal peace.[29] Indeed, although Northern Ire-

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[25]Author interviews, Belfast, 2002. Disputes over the right of marches, particularly those of the Protestant Orange Order and Apprentice Boys of Derry, to follow "traditional" routes that take in Catholic areas have long caused contention in Northern Ireland. Particular problems have arisen in Portadown (County Armagh), where in 1996 a disputed parade resulted in major clashes at interface areas all over the province. Belfast was hit severely: the protests, arson, and vandalism are estimated to have caused GBP10 million worth of damage. Bryan, 2002, p. 12. See also Bryan (2000) and Jarman and Bryan (1996).

[26]Ibid.

[27]The level of popular support retained by these groups is questionable, though during interviews conducted in 1999 officials from Sinn Fein and the Northern Ireland Office surmised that these groups maintained a minimal level of popular support. Since then, each group has increased its violent activities in the area, so it is logical to assume that they have at least maintained this support, and might have increased it.

[28]The authors visited a number of these physical barricades during a trip to Belfast in February 2002.

[29]The authors came to this conclusion after speaking with public officials and local activists who work in Belfast on the issues of distrust and sectarian division in Northern Ireland.

land's development policies (as described above) contain an implicit assumption that removing grievances would result in peaceful integration, communities remain entrenched in what could best be described as systemic segregation. This is not to argue that the peace process has not been successful or that the development policies have been inadequate. It is simply to observe that, although a combination of political, social, and economic grievances is being addressed, discontent still exists in Northern Ireland.

The implementation of U.K. social and economic development projects has reinforced this segregation by distributing development grants and large-scale housing and infrastructure projects according to a criterion of *absolute parity* between Catholic and Protestant communities.[30] The Northern Ireland Housing Executive (NIHE), for example, concedes that it is unable to allocate funds on the basis of needs only or to develop integrated estates that cross community lines because of the "zero-sum" nature of sectarian perceptions in Northern Ireland.[31] While this absolute parity is critical to the peace process—as it helps to ensure perceptions of equal treatment on the part of both Catholics and Protestants—it also reinforces preexisting sectarian divides.[32]

Another salient consideration stems from the fact that Catholics have proven to be better at applying for EU grants and, more important, translating this funding into meaningful development.[33] The result has been the perception among Protestants that EU funds are not being allocated in an equal and/or nonpartisan manner, which has in turn disrupted progress toward the removal of distrust between the two communities.[34]

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[30]Author interviews, Belfast, 2002. It is difficult to filter out general sectarian hatred from systemwide policies that continue to encourage intercommunal division. Our assessment (as outlined in this paragraph) is based on a series of recently published government reports and interviews with officials in the area.

[31]U.K., Northern Ireland Housing Executive, 2000, p. 13.

[32]Author interviews, Belfast, 2002.

[33]Author interviews, Belfast, 2002. There was agreement among all of the government officials, academics, and local activists interviewed by the authors as to this disparity, although each interviewee had different explanations for how the Catholic community managed to utilize development funds more effectively than Protestant communities.

[34]Ibid.

KEY JUDGMENTS

The social and economic development policies implemented in Northern Ireland appear to have been successful in erasing the economic disparities between Catholic and Protestant communities. Furthermore, these policies have strengthened local groups that act as a brake on political violence in the area. Nonetheless, it needs to be said that development has not been able to eliminate terrorist violence completely.

One of the greatest challenges in doing so has been the inability of those bodies responsible for implementing development policies to help marginalized communities without reinforcing intercommunal distrust. Our conclusion is that the development programs that achieved this balance best were those characterized by

- funding sources that were not perceived as underhanded or manipulative
- transparent disbursement mechanisms that were determined in accordance with community requirements
- systems that held local leaders and representatives accountable for implementing initiatives in conjunction with members from an "opposing" community.[35]

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[35]We arrived at this conclusion after a series of interviews in the area and an examination of those policies that the government officials, academics, and local activists cited as useful. Although each project has its strengths and weaknesses, the jointly administered EU-U.K. peace money does meet all three characteristics in aggregate. It is also important to note the role of the private sector in establishing industries that inherently address number one and are under heavy regulation in areas such as equality and accountability.

Chapter Three

MINDANAO

The southern Philippines has suffered from civil unrest and violence for the past three decades, most of which has revolved around the separatist ambitions of the Moro Muslim population in Mindanao. Never fully colonized by either the Spanish or the United States, this traditionally staunch Islamic enclave has long stood apart from the overwhelmingly Catholic orientation of the Philippine state. General alienation and discontent, however, has been exacerbated by several specific factors, including

- economic neglect and the general exploitation of local resources to foster development in the central and northern islands of the Philippines
- the gradual dispossession of ancestral lands by Christian settlers (whose transmigration has been explicitly sponsored by Manila to alter the demographic balance in Mindanao)
- repeated attempts to forcibly assimilate local Muslim communities into the wider Catholic Philippine polity (a policy that became particularly evident during the Marcos era).[1]

Between 1971 and 1996, the MNLF acted as the main vehicle for armed extremism in the southern Philippines. Led by Nur Misuari, the group dedicated itself to the liberation of all areas where Moro Muslims had traditionally existed as a majority population.[2] Much of the organization's support during this time derived from the severe

[1]For further details, see Turner and May (1992), George (1980), Chalk (1997), Islam (1998), and Abu Zahir (1998).

[2]Leifer, 1996, pp. 174–175.

social and economic circumstances of Mindanao—a highly destitute area compared with the rest of the Philippines and one in which it is generally accepted that Islamic communities have suffered the most. Reflecting on the ramifications this has had for conflict in the region, Amina Rasul-Bernardo, a senior fellow at the United States Institute for Peace, concludes

> While all regions [in Mindanao] share in the problem, the burden of poverty lies greatest on Muslim areas. . . . Together, poverty and conflict [have] perpetuate[d] a vicious cycle. Poverty fueled conflict—by magnifying the sense of marginalization and exclusion. Conflict, in turn, aggravate[d] poverty—through its effects on people, institutions and the economy. Thus, they create[d] the very conditions for their [own] continuation.[3]

In 1996, then-President Fidel Ramos and Misuari reached a peace agreement in the form of the Davao Consensus, which provided for an Autonomous Region of Muslim Mindanao (ARMM) that had limited powers of local governance over the extraction of resources, education, religion, and the administration of justice.[4] The Davao Consensus also included provisions for social and economic development in the 14 provinces and 9 cities with a Moro Muslim population—an area officially known as the Special Zone for Peace and Development (SZOPAD).[5] Between 1996 and August 2001 the Southern Philippine Council for Peace and Development (SPCPD) was responsible for coordinating projects in SZOPAD.[6] The council was to work in conjunction with ARMM, and both were to be led by Nur Misuari, the original founder of the MNLF.[7]

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[3]Rasul-Bernardo, 2002, p. 18.

[4]ARMM is currently composed of five provinces: Sulu, Tawitawi, Maguindanao, Lanao del Sur, and Basilan.

[5]SZOPAD is composed of roughly ten million inhabitants, which represent around 55 percent of the 18 million people in Mindanao's total population.

[6]The original mandate of the SPCPD terminated in August 2001. Henceforth, development initiatives in the Muslim-concentrated regions of the southern Philippines will be coordinated by the ARMM, which will have responsibility for the five provinces that now fall in its specific area of jurisdiction, and a newly constituted Development Council, which will cover the remaining nine provinces of SZOPAD.

[7]For further details, see Chalk (1997, pp. 85–86), "Muslim Pact Angers Christians" (1996), "Philippines, Muslims Sign to End Civil War" (1996), and "Ramos, Muslims Sign Historic Accord" (1996).

DEVELOPMENT POLICIES

At the initial signing of the Davao Consensus, Manila pledged some US$16 million to SZOPAD for education and health development projects. In addition, the government affirmed that it would provide approximately US$100 million annually to support the governing of SZOPAD. Most of these latter funds went toward administrative costs, leaving approximately only US$18 million a year for development projects.[8]

Although Manila granted the SPCPD, and Misuari in particular, oversight responsibilities for social and economic development projects in Mindanao, neither was allowed actually to initiate specific projects. This authority resided with the central government in Manila. The result, according to a former Muslim senator who was closely involved in the 1996 peace negotiations with the MNLF, was a bias toward "high-impact" projects, such as the construction of circumferential roads and bridges (e.g., an 87-mile road was built around Sulu), as well as hotels and airports that would encourage tourism.[9]

In addition to these large-scale projects, the international community (through the United Nations [UN] and World Bank) pledged approximately US$500 million in 1996 for peace and development in the southern Philippines.[10] Like the peace money administered by the EU in Northern Ireland, these funds targeted small-scale projects such as medical equipment and training, community-based cooperatives, and farming initiatives. Unlike the situation in Northern Ireland, however, Mindanao lacks a developed road and transportation system, and many towns are isolated, meaning that most

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[8]Interviews with officials from the Office of the Presidential Advisor for Mindanao Affairs and the World Bank (author interviews, Manila, 2002).

[9]Interview with a former Philippine senator (author interviews, Manila, 2002). A local representative with the World Bank makes a similar observation, claiming that the emphasis on "high-impact" projects reflected central government thinking in Manila that development was contingent on initial investment in large-scale infrastructure.

[10]We derived this number of US$500 million from a number of interviewees involved in the development, oversight, and implementation of the SPCPD. We could not, however, determine how much of this pledge actually came to the Philippines or went to Mindanao: A general estimate was US$200 million over a period of five years (author interviews, Manila, 2002).

projects tended to focus on semideveloped areas where a semblance of infrastructure development already existed.[11] Table 3.1 outlines public funds dedicated to social and economic development in the southern Philippines from 1996 to 2001.

Finally, there has been some effort, on the part of city mayors and community leaders, to encourage private investment in the area. Two notable agricultural development projects have resulted from these efforts: the expansion of an asparagus producing industry in south Cotabato, which now controls approximately 21 percent of the Japanese market; and the construction of a banana plantation in Paglas, Maguindanao, which, according to one Muslim congressional representative, has resulted in almost 100 percent employment in the area.[12]

Table 3.1

Social and Economic Development Funds in SZOPAD, 1996–2001 (in US$)

	Five Years	Annually	Per Person
Central government	90,000,000	18,000,000	2
International community	200,000,000	40,000,000	4
Total	290,000,000	58,000,000	6

NOTE: The numbers in this table are rough estimates, derived from interviews in the area. They do not include budget numbers for sectors such as health and education. In addition, they include only US$200 million of the US$500 million pledged by the international community: This is an estimate from our interviews on the amount of money that actually was delivered to Mindanao. Population figures for Mindanao (2000) are estimated at 18,130,200, with approximately 10,000,000 people residing in SZOPAD. (See Philippines, 2002.)

POLICY IMPLEMENTATION

As mentioned previously, the principal aim of social and economic development policies in the southern Philippines is to address per-

[11]Ibid.

[12]Interview, House of Representatives, Parliament of the Republic of the Philippines (author interviews, Manila, 2002). See also "Asparagus Gaining Grounds" (2000). The asparagus and banana projects were similarly emphasized during interviews with a former Muslim senator and presidential advisor for Mindanao.

ceived grievances among the Muslim communities to reduce the potential for renewed insurgency in Mindanao. The actual implementation of these initiatives, however, has not been particularly effective in terms of meeting these objectives. Our research revealed four main explanations for this lack of effectiveness.[13]

First, most of the large-scale projects funded by Manila were determined without comprehensive, community-based needs assessments. As a result, these projects tended to focus on high-profile initiatives that offered a quick return on investment—not projects that targeted communities with the greatest need.[14] Second, Misuari did not effectively utilize the funds at his disposal, failing to deliver the promised peace dividend to Muslim communities in the region.[15] Indeed, it was as a direct result of these failings that the MNLF's highest policymaking body, the Central Committee, removed Misuari from the position of SPCPD Chairman in August 2001.[16] Third, the central government did not establish adequate mechanisms to ensure proper accountability and oversight for the development funds that were transferred to the SPCPD.[17] Finally, the develop-

[13]As mentioned earlier, for Mindanao our research focused on key interviews in the area, including those with Muslim congressional representatives, World Bank officials, senior members of the Department of Interior and Local Government, and the Office of the Presidential Advisor for Mindanao Affairs.

[14]World Bank officials especially emphasized this point, arguing that major infrastructure projects can be effective (and viable) only in areas with a basic market structure, something that does not apply to the bulk of SZOPAD (interview with World Bank officials [author interviews, Manila, 2002]).

[15]This was a consistent theme expressed during interviews and was one echoed not only by government officials and advisors, but also by Muslim congressional and senatorial representatives (some of whom were former MNLF members) (author interviews, Manila, 2002; author interviews, Washington D.C., 2002). See also "Misuari Failed to Deliver" (2002).

[16]"The Jolo Conundrum," 2002. Following his deposition as ARMM Governor and SPCPD Chairman, Misuari asserted his opposition to the 1996 Davao Consensus and took up arms against Manila with 200 loyalists. After a series of brief encounters with the military (which resulted in 100 deaths), he fled to Malaysia where he was captured and deported back to the Philippines. He is currently under detention at Fort Saint Domingo, Santa Rosa (the same prison holding former President "Erap" Estrada), for instigating an uprising against the central government.

[17]According to one presidential advisor, this failure largely reflects the legacy of the Marcos era and general Philippine opposition to strong centralized power—especially in the context of nationalized projects instituted in outlying areas (many of which were used to exploit resources for the sole benefit of Manila). Interview with officials

ment aid pledged by international donors did not appear to affect local Muslim communities.[18] There are a number of possible explanations for this discrepancy, including insufficient fiscal resources relative to the geographical area within SZOPAD; the failure to translate rhetorical funding pledges into concrete development aid; and corruption and mismanagement of capital flows at the national, regional, and local level.[19]

IMPACT ON THE REEMERGENCE OF TERRORISM

The impact of social and economic development projects in terms of promoting real development in the southern Philippines has been marginal at best. According to one congressman from the area, virtually no meaningful progress occurred between 1996 and 2001. Most of the initiatives that focused on high-visibility projects have yet to be completed and others have had little, if any, impact on the quality of life for ordinary individuals.[20]

Furthermore, our research did not reveal any positive impact from most of these social and economic development projects on the reemergence of terrorism in the area. Several commentators have gone further in their criticisms, maintaining that the practical effect of many of these policies has been to exacerbate an already serious wealth differential between Christians and Muslims,[21] which could

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from the Office of the Presidential Advisor for Mindanao Affairs (author interviews, Manila, 2002).

[18]According to representatives from the area, very little meaningful progress (at the local level) occurred in their communities in Mindanao between 1996 and 2001. The one exception seems to be the U.S Agency for International Development (USAID) retraining program for former MNLF combatants: A number of interviewees commented favorably on this program.

[19]Muslim congressional representatives especially emphasized the lack of resources devoted to the SZOPAD, arguing that even with the best administration and implementation the ability of such marginal funds to effect meaningful change was always going to be highly questionable (interviews with congressional representatives, House of Representatives, Parliament of the Republic of the Philippines [author interviews, Manila, 2002]).

[20]Interview, House of Representatives, Parliament of the Republic of the Philippines (author interviews, Manila, 2002).

[21]Interview with a World Bank official (author interviews, Manila, 2002).

conceivably lead to a resurgence of support for terrorism in the medium term.

Indeed, these failings are reflected in the support, albeit limited, that local communities now provide to two extremist groups that operate in the area: the Moro Islamic Liberation Front (MILF) and the Abu Sayyaf Group (ASG).[22] The MILF and the ASG have rejected the Davao Consensus and its terms, pressing for the creation of a fully independent southern Philippine Islamic state with repeated local attacks and kidnappings as well as large-scale attacks in Manila itself, such as the December 2000 bombing on a commuter train that killed 22 people.[23] More important, certain renegade elements within the MNLF are now thought to be working with the MILF and ASG; this cooperation may indicate a growing dissatisfaction and disillusionment with the lack of progress since the 1996 agreement.

KEY JUDGMENTS

Most social and economic development projects in the southern Philippines have had a minimal effect on inhibiting terrorist activity in Mindanao. The lack of impact could be more a result of how the policies were implemented than an indication of the potential efficacy of social and economic development. The asparagus and banana plantation initiatives tend to support the contention that development can inhibit a resurgence of terrorism if implemented successfully, but at this point they are isolated cases.[24]

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[22]The MILF was established as a splinter movement of the MNLF in 1977. The group is led by Hashim Salamat, whose avowed political objective is the creation of an independent Islamic state, based on the precepts of sharia'h law, in all areas where Muslims constitute a majority in the southern Philippines. The ASG emerged in 1988 and, like the MILF, advocates a fully independent theocratic Islamic state of Muslim Mindanao. However, it is infused with a more extreme religious fervor that countenances no toleration or cohabitation with non-Muslims. Since the death of its ultrafundamentalist founder, Abdurajak Janjalani in 1998, it has also taken on a more overt criminal dimension, gaining international notoriety between 2000 and 2001 for staging two mass kidnappings of foreign tourists at Malaysian and southern Philippine beach resorts.

[23]"Rumble in the Jungle," 2002.

[24]Author interviews, Manila, 2002. The city of Paglas is well known for its past support for insurgent activities. Now it is widely regarded as one of the best examples of how development efforts have worked to discourage support for terrorist groups.

In addition to this first general conclusion, our research revealed that while large-scale infrastructure projects were important—particularly as they laid the foundation for future development initiatives, they have yet to benefit the vast majority of Mindanao's Muslim residents. As a result, it is arguable that, because large-scale infrastructure projects do not have a direct impact on the well-being of local communities, they also have only marginal short-term utility for inhibiting local support for terrorism.

Finally, we concluded that the social and economic development component of the Davao Consensus, as manifested in SZOPAD, created unrealistic expectations on the part of local communities. The lack of fiscal transparency, oversight, and accountability for projects limited their implementation in such a way that they could not meet local expectations. Moreover, even if projects had been implemented effectively, it would not have been enough: Social and economic development in SZOPAD was hampered by insufficient funding.

Chapter Four

WEST BANK AND GAZA STRIP

The modern roots of the Palestinian-Israeli conflict lie in the conflicting claims of Jewish and Arab communities to the Holy Land. The original issue in this struggle was the validity and meaning of the League of Nations mandate over Palestine, which was given to Britain and which incorporated an earlier promise by London (the Balfour Declaration) to support the creation of a Jewish "national home" in the area. In 1948 the state of Israel was proclaimed, its existence rationalized in terms of both the League of Nations mandate and a self-determined Jewish belief in their right to the Holy Land. Palestinian Arabs rejected from the outset the legitimacy of this sovereign declaration, as did surrounding Middle Eastern states, which launched two wars—one in 1948 and one in 1967—to destroy the fledgling Jewish state. Both wars were unsuccessful, with the second attempt resulting in the loss of additional land to Israel. These areas have since been known as the "Occupied Territories." They currently include East Jerusalem (captured from Jordan), the Golan Heights (captured from Syria), the Gaza Strip (captured from Egypt), and the West Bank (captured from Jordan).[1]

The 1967 Israeli occupation brought an additional one million Arabs under direct Israeli control, galvanizing the Palestinians to contest

[1]Detailed accounts of the roots of the Palestinian-Israeli conflict can be found in Amos (1980); Black and Morris (1992, pp. 1–34); Miller (1983); and Quandt, Jabber, and Lesch (1973). Israel also captured the entire Sinai Peninsula up to the Suez Canal from Egypt. This was eventually returned to Cairo in 1979, following the Camp David Agreements (which formally ended the state of war between Israel and Egypt).

for an independent state as actors in their own right.[2] By the end of the decade the PLO—an umbrella organization under the dominance of Yassir Arafat's al-Fatah faction[3]—had emerged as the primary vehicle for armed resistance to Israeli occupation. Although the group was successful in projecting the Palestinian cause onto the world stage of international politics, it was not until the intifada of 1987 that communities in the area truly began to articulate collective political, economic, and social grievances, most of which were rooted in a general perception of Israelis as an oppressive, occupying force.[4]

The importance of the intifada—which remains the most visible expression of unified Palestinian discontent to date—lay in the pressure that it placed on Israel to enter a U.S.-sponsored peace dialogue with the PLO. This dialogue eventually resulted in the Oslo Declaration of Principles (DOP) in 1993, which provided for gradual Palestinian self-rule in portions of the WBGS.[5] In addition to the DOP, the Paris Economic Protocol stipulated the following interim guidelines:

- No customs duties would be imposed on goods between the Occupied Territories and Israel, though products would be subject to Israeli quality control and security inspection.
- Israeli policy would determine the parameters of WBGS trade relations, except those conducted under the auspices of free trade agreements established between the Palestinian Authority (PA), and the United States and EU.

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[2]Safran, 1992, pp. 370–371.

[3]Other main factions active during the 1970s and 1980s included the Popular Front for the Liberation of Palestine, the Popular Front for the Liberation of Palestine—General Command, the Palestine Liberation Front , the Arab Liberation Front, the Democratic Front for the Liberation of Palestine, the Palestine Popular Struggle front and al-Sa'iqa ("Lightening Bolt"). Another group, the Abu Nidal Organization, split from the PLO in 1974 after Arafat declared a moratorium on acts of terrorism perpetrated outside Israel and the Occupied Territories.

[4]Kass and O'Neill, 1997, pp. 215–236; Abu-Amr, 1993, p. 10; and Mishal and Aharoni, 1994.

[5]Brynen, 2000, pp. 33–71.

- Israel would collect and then redistribute revenue from customs duties and value-added tax (VAT) on relevant goods purchased and produced in PA territories.[6]

Significantly, the al-Aqsa intifada and Israeli response since September 2000 have completely overwhelmed the guidelines established by the Paris Economic Protocol and made it difficult to distinguish political, social, and economic motivations from the ongoing retaliatory violence in Israel and the Occupied Territories.[7] Therefore, this report focuses on the seven-year period between the Oslo Accords (in 1993) and the al-Aqsa uprising (2000), during which social and economic development policies in the WBGS were meant to achieve two main purposes: to provide the PA with the necessary autonomy to administer those territories under Palestinian self-rule;[8] and to allow Palestinians the chance to experience the benefits of peace, which, it was hoped, would dampen local support for terrorism.[9]

DEVELOPMENT POLICIES

Before signing the DOP, the PLO published its *Programme for Development of the Palestinian National Economy 1994–2000.*[10] This

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[6]Diwan and Shaban, 1999, p. 86.

[7]The *Mitchell Report* (U.S. Department of State, 2001) outlines claims by the Israeli government and the PA on the causes of the ongoing *al*-Aqsa intifada. While the *Mitchell Report* does not validate either claim, it is fairly evident that the current violence was sparked by political dissent—whether the failure of the July 2000 Camp David negotiations or Ariel Sharon's provoking visit to the al-Aqsa Mosque/Temple Mount—and was not in direct response to articulated or unarticulated social and economic grievances.

[8]The purpose of autonomy was also meant to include elements of fiscal sovereignty, particularly by encouraging foreign investment and the expansion of an industrial base in the West Bank and Gaza through tax incentives. It was assumed that this would serve to strengthen the governing authority of the PA as well as help to secure Israel by ensuring that a preponderance of Palestinians would not need to commute into Israel proper for work. See Kanaan (1998, p. 34).

[9]Representatives of approximately 43 international donor countries met in Washington in October 1993. The stated purpose of the conference was "to support the historic political breakthrough in the Middle East through a broad-based multilateral effort to mobilize resources to promote reconstruction and development in the West Bank and Gaza," as quoted in Brynen (2000, p. 3).

[10]Brynen, 2000, pp. 77–78.

document estimated that the WBGS would need approximately US$14.4 billion over seven years to create a viable economy. From 1994 to 1996 the PA's revenue was approximately US$1.2 billion in total.[11] The international community pledged an additional US$5 billion to the PA from 1993 to 1999,[12] of which approximately US$1.3 billion (21 percent) was spent on social and economic development projects in the West Bank and Gaza.[13]

Over half of the PA's expenditures were allocated for the police and civil service during this period.[14] After accounting for these expenses, the PA concentrated the bulk of its development funds on large-scale infrastructure projects, such as the Gaza port and airport, as well as the creation and expansion of education and health services.[15] Similarly, but to a lesser degree, the PA funded quality-of-life projects that focused on providing existing communities with better access to water, electricity, and telephone services.[16]

The international community also sponsored large-scale projects. One of the more notable initiatives was the Karameh Towers apartment complex in Gaza that was built as a joint venture between the PA and the U.S. Agency for International Development (USAID). This housing structure has 192 different apartments that can be purchased for approximately US$30,000 each.[17] Another high-profile

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[11]It is important to note that fiscal transparency in the PA has been a source of complaint from Palestinians and the international community alike. Therefore, any economic numbers are fairly suspect. The revenue figures in this report come from Diwan and Shaban (1999, pp. 208–213); figures on international aid come from Brynen (2000, pp. 73–86). Additionally, this report focuses on the period between Oslo and renewed hostilities in 2000. Information on economic and social development projects since 2000 is unreliable at best. It is safe to assume that any ongoing projects have been halted and may even have been destroyed by Israeli bombing attacks in Gaza City, in particular. Furthermore, at the writing of this document, the PA was hardly functioning as a governing authority.

[12]Ibid.

[13]Diwan and Shaban, 1999, pp. 208–213. Note that this total is cumulative: $1.3 billion from 1993 to 1999.

[14]Ibid. Unlike in Northern Ireland or Mindanao, the PA is responsible for maintaining security forces in the areas under its jurisdiction and arresting members of rejectionist Palestinian groups like Hamas.

[15]Diwan and Shaban, 1999, pp. 91, 176–178.

[16]Diwan and Shaban, 1999, pp. 91, 176–178, 208–213.

[17]Brynen, 2000, p. 194.

project, referred to as "Bethlehem 2000," was designed to encourage tourism in PA-controlled areas. This particular project pooled funds from multilateral organizations, the PA, and unilateral donors to create a forum outside the Church of the Nativity for Christmas and Easter ceremonies as well as to provide space for shops that are more easily accessible to tourists.[18] Table 4.1 outlines the nonprivate social and economic development funds allocated to the WBGS between 1993 and 1999.

Finally, the private sector contributed to a number of social and economic development projects in these areas, using funds that mostly came from the Palestinian Diaspora.[19] A good example of this investment involved the Palestinian Development International Company (PADICO), which committed approximately US$1 billion in the following sectors: manufacturing, tourism, finance, real estate, utilities, and telecommunications.[20]

Table 4.1

Social and Economic Development Funds in the West Bank and Gaza Strip, 1993–1999 (in US$)

	Six Years	Annually	Per Person
Palestinian Authority	1,200,000,000	200,000,000	69
International community	1,300,000,000	215,000,000	74
Total	2,500,000,000	415,000,000	143

NOTE: The numbers in this table are approximated from previously cited figures. For example, the PA total income from 1994 to 1996 was US$1.2 billion, half of which was spent on development, equating to approximately $200 million per year. In 1997, the Central Statistics Department of the Palestinian Authority reported the WBGS population at 2.895 million. (See Palestinian Authority, 1998.)

[18]More information on this project is available online at http://www.bethlehem 2000.org.

[19]Diwan and Shaban, 1999, pp. 69–83.

[20]Diwan and Shaban, 1999, pp. 108–109. PADICO is the largest single private investment representative in the WBGS.

POLICY IMPLEMENTATION

The stated purpose of these development policies was to demonstrate to the Palestinian people that they have a social and economic interest in peace. However, Palestinians and the international community alike have criticized the PA for corruption and poor implementation of these projects.[21] There are a number of explanations for these perceived shortcomings. First, the PA and international community went through multiple variations of oversight and coordination mechanisms for foreign aid. Having continually to rebuild these mechanisms reduced planning and implementation meetings to basic information sharing. This, in turn, caused Palestinian representatives to view the process as both ineffective and cumbersome.[22]

Second, unlike in Northern Ireland or Mindanao, Israeli policymakers blocked Palestinian receipt of social and economic development funds when there was an increase in support for terrorism. The Israeli government also withheld revenue due to the PA from relevant VAT funds, making PA receipt of these funds conditional on a decrease in political violence.[23] Similarly, U.S. policymakers have canceled development programs to pressure the PA. One example was the withdrawal of financial support for the Palestinian Broadcasting Corporation on the grounds that the programs were perceived as inciting violence.[24] This conditionality added uncertainty to the PA budget and planning process.

Third, a number of the projects implemented did not meet the needs of the Palestinian people. For example, the annual per capita income in the Gaza Strip is approximately US$1,200, which made the Karameh Towers apartment complex fiscally impractical for its target population.[25] More to the point, a public opinion poll administered in 1999 by the Center for Palestinian Research and Studies (CPRS) in

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[21]Brynen, 2000, pp. 87–111.

[22]Brynen, 2000, pp. 103–106, 113–116.

[23]Brynen, 2000, p. 107.

[24]Brynen, 2000, p. 107.

[25]Brynen, 2000, p. 194. One of the authors visited the towers in 1999; they were occupied with the families of PA police and security force members. Local residents commented that, because the complexes were so expensive, Arafat ended up giving them to these forces to maintain their support.

Nablus placed "housing" second to last out of a list of 11 social and economic needs in the WBGS.[26] Similarly, to build a forum at the Church of the Nativity for the Bethlehem 2000 project, developers had to tear up existing roads, water systems, shops, and houses. This particular project, therefore, had an immediate negative effect on the quality of life for local residents, which they have yet to recoup in economic returns.[27]

Lastly, the Israeli policy of closing off traffic from the WBGS into Israel has raised the cost of production (and therefore goods) while, at the same time, injecting a high level of instability into the labor market.[28] Following a series of closures in the mid-1990s, for example, the rate of unemployment doubled from approximately 25 to 50 percent.[29] Similarly, it is estimated that the closures implemented from 1993 to 1998 cost the Palestinian economy roughly US$2.8 billion.[30] This figure represents an annual cost of US$193 per person—US$50 per capita more than the amount spent on development assistance during the same period.

IMPACT ON THE REEMERGENCE OF TERRORISM

The Palestinian community has seen the implementation and completion of multiple social and economic development projects in the WBGS. Questions still remain, however, as to the impact these projects have had on the daily life of the Palestinian population in the Occupied Territories, especially given perceived corruption in the PA, poorly conceived projects, unreliable funding, and the negative effects that Israeli closures have had on the overall Palestinian economy. As a result, it is difficult to discern the actual impact of social and economic development policies on local support for terrorism in the WBGS.

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[26]Brynen, 2000, p. 163. These and other poll results can be accessed at http://www.pcpsr.org/index.html.

[27]Ibid.

[28]Kanaan, 1998, p. 36.

[29]Kadri, 1998, p. 519.

[30]Ibid. This figure was provided in 1995 U.S. dollars.

Available evidence *does* indicate certain positive results. For example, by 1999 delivery of social services (primarily education and health care) had not only been able to keep pace with a rapid population growth in the WBGS, it had also improved in many areas.[31] Progress in these and other small-scale projects, such as water and telephone services, indicates that Palestinian residents of the WBGS experienced at least some tangible social and economic benefits from peace between 1993 and 2000.[32] Indeed, a public opinion poll conducted by the CPRS in 1999 found that 38.9 percent of Palestinians believed that their economic conditions had improved (versus 23.1 percent who claimed it had declined) and 56.3 percent were optimistic about their future prospects.[33] These figures demonstrate both *real* and *perceived* improvements—albeit limited—in the social and economic conditions of Palestinians from 1993 to 1999.

Furthermore, Israeli government threats against the Palestinian economy did help to inhibit overt local support for terrorist activities, at least in the beginning of this policy.[34] For example, following a series of Hamas suicide bombings in Tel Aviv and Jerusalem in 1996, the Israeli government halted travel from the WBGS into Israel. A CPRS public opinion poll taken immediately following these closures found that approximately 75 percent of Palestinians interviewed believed that suicide attacks harmed the peace process. Moreover, 70 percent of Palestinians polled opposed the suicide bombings and 59 percent believed that the PA should take steps to stop the attacks.[35] These figures indicate that Palestinians perceived that terrorist activities could have a negative impact on their collective social and economic conditions. Furthermore, Palestinians responded by reducing their support for terrorist activities.[36]

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[31]Brynen, 2000, p. 201.

[32]Ibid.

[33]CPRS Public Opinion Poll #39, quoted in Brynen (2000, p. 203).

[34]Brynen, pp. 106–111.

[35]Center for Palestinian Research and Studies, 1996.

[36]In his book, *Hamas: Political Thought and Practice*, Khaled Hroub argues that while Hamas does not respond to international condemnation of its attacks, it is highly sensitive to changes in popular support (Hroub, 2000, p. 76). This argument is exemplified in the 1996 bombings: After it became clear that the general Palestinian commu-

Despite these positive effects, Palestinian groups still engaged in terrorist activities from 1993 to 1999. It should also be noted that if 59 percent of Palestinians interviewed by CPRS in 1996 believed that the PA should take steps to stop terrorism, slightly less than one-third did not,[37] which represents a fairly substantial portion of the WBGS population. It is, therefore, arguable that, in the context of the Occupied Territories, concerns for social and economic development remained on the periphery of the conflict.

KEY JUDGMENTS

Given the context of social and economic development in the Occupied Territories—PA corruption, poorly conceived projects, unreliable funding, and Israeli funding withholding and border closures—it is surprising that development initiatives had any positive impact on a resurgence of terrorism in the area. Two factors further limited the ability of social and economic development to inhibit local support for terrorism.

First, the large-scale projects that were the focus of PA and international development efforts in the WBGS did not meet the requirements of the targeted population. As mentioned previously, the Karameh Towers apartment project in the Gaza Strip was priced out of reach for its target residents, while Bethlehem 2000 both cost Palestinian residents revenue in the short term and failed to produce long-term economic benefits. Even if one takes this discrepancy into account, funding for public development in the WBGS amounted to only US$143 per person annually. Though this sum is more than 20 times the amount allocated for development in the southern Philippines, it is still notably inadequate.

Second, although making development aid *conditional* on the absence of terrorism did create a useful "stick" for the Israeli government to use against the PA, the Israeli government used closures so

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nity did not support the suicide bombings, Hamas deescalated its rhetoric and attacks. Furthermore, the PA used this public condemnation to crack down on and arrest members of Hamas's military branch.

[37]The remaining persons polled (approximately 10 percent) did not express an opinion either for or against the PA security actions. See Center for Palestinian Research and Studies (1996).

often that they erased any long-term positive effects that the social and economic development policies may have had on local communities.

As with Mindanao, the relative weakness of development policies in the WBGS essentially stemmed from poor implementation, planning, and oversight. Inappropriately framed projects combined with largely opaque and unpredictable funding disbursement mechanisms resulted in initiatives that neither met the expectations of the Palestinian people nor, more important, definitively demonstrated the social and economic benefits of wider peace and reconciliation efforts.

Chapter Five

POLICY IMPLICATIONS

The purpose of this analysis was to explore the ways in which development policies can be used to inhibit a resurgence of terrorist activities and generally discourage local support for political extremism. We arrived at four principal conclusions.

First, our analysis of the Philippine case suggests that if development assistance is not appropriately funded relative to the size, geography, and needs of targeted regions, it is liable to act as a double-edged sword by precipitating a revolution of rising (and unfulfilled) expectations. This conclusion has direct implications for the U.S. war on terrorism: Recent U.S. pledges of aid to alleviate poverty and deprivation in Uzbekistan (US$150 million), for instance, equate to approximately US$6 per person—the same amount provided to communities in Mindanao.[1] Such marginal sums not only elicit little meaningful social and economic change, they also have the potential to feed popular resentment that could actually lead to renewed support for terrorist violence in the area.

Second, no matter how much money is invested in social and economic development, its effectiveness depends on the type of projects chosen and their implementation. Therefore, development policies should be formulated not only on the basis of need, but also on input from community representatives. Additionally, these initiatives should be targeted to meet the requirements of those communities that have traditionally been sympathetic to terrorist groups. In this

[1]Population figures for Uzbekistan are based on Central Intelligence Agency (2002). See also Harba (2002).

context, U.S. development aid to Colombia necessarily needs to focus on those communities that are most neglected by the Bogotá government and that have traditionally supported the Revolutionary Armed Forces of Colombia, avoiding the trap of past aid to the Philippines that focused on communities with a relatively higher level of infrastructure. This conclusion presents U.S. policymakers with a difficult problem: How does the U.S. government use development to inhibit terrorism without seeming to reward those that support terrorist groups? In light of this problem, this recommendation is best implemented after the advent of peace negotiations, or if a particular community expresses its willingness to publicly denounce terrorism. Despite these difficulties, this approach is vital if the Philippine trap of exacerbating wealth/poverty differentials by investing in areas that already have a relatively high level of infrastructure is to be avoided. With regard to implementation, funding disbursement mechanisms should also be fully transparent, ensuring proper fiscal accountability and reducing the image of an overbearing U.S. government.

Third, we discovered two specific uses for social and economic development as it relates to terrorism: It provides economic alternatives to potential recruits, and it creates a new middle class that has a vested interest in maintaining peace. This conclusion is not to suggest that poverty causes individuals to join terrorist groups. Rather, it is based on our assessment that members of the communities included in this study considered terrorist activity as a viable response to perceived political, economic, and social injustices, thereby sustaining a pool of willing recruits. Therefore, if development is to be used as a counterterrorism tool, it should focus on achieving these two objectives. For example, recent events in Israel and the Occupied Territories may spark concern over the expansion of terrorist activities into moderate countries, such as Jordan. Social and economic development projects—such as those used in Northern Ireland and Paglas, Philippines—could help to discourage local support for these groups, especially if they are instrumental in creating a new and stronger middle class that is able to play a prominent role in conflict mediation. Similarly, while large-scale infrastructure projects may be necessary to successfully implement development projects, they are often counterproductive in poverty-

stricken areas where the basic market systems do not yet exist. In short, our analysis does not suggest that development assistance, per se, is able to inhibit terrorism, merely that it can have positive benefits in at least two respects—stemming the tide of potential recruits and facilitating the emergence of a new middle class.

Fourth, despite these positive conclusions, it is important to note that development alone will not eliminate the threat posed by terrorism. The social and economic development policies that we examined were part of wider multipronged approaches that also included political negotiations, military actions, and community relations building. Similarly, our findings imply that poverty does not actually cause terrorism; rather, it contributes to and magnifies underlying grievances that already exist.

These conclusions have particular relevance for Washington and the war on terrorism beyond the brief examples provided above. In March 2002, President Bush announced that U.S. foreign aid spending would rise by 50 percent (US$10 billion to US$15 billion) over three years, beginning in 2004.[2] This decision represents an opportunity for the U.S. government to incorporate a specific social and economic dimension in broader multipronged approaches—military, political, economic, and community relations—to the problem of terrorism. There are several regions (e.g., in the Philippines, Pakistan, Indonesia, and the central Asian republics) where the judicious use of foreign assistance could make an impact on local support for terrorist groups, including those that have been tied to wider transnational Islamic extremism. Investing in social and economic programs that adhere to the lessons provided in this analysis, however, will not be cheap or easy. If development assistance is to inhibit terrorism effectively, policies need to be set within a strategic framework that goes beyond simply distributing aid and that remains acutely sensitive to the risks associated with poor implementation. Such an approach demands a much more strategic outlook than is exhibited by simply distributing aid, nor should it be undertaken without an acute understanding of the risks associated with poor implementation. This qualification aside, our findings

[2]"Bush Skirts Flak," 2002.

reveal a noteworthy potential for using social and economic development as a specific instrument of U.S. counterterrorism policy.

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