

***Assessing Country Risk:
Creating an Index of Severity***

(Background Discussion Paper prepared for
CIFP Risk Assessment Template)

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David Carment – CIFP
dcarment@ccs.carleton.ca
www.carleton.ca/cifp

Introduction

The development of a country's capacity, legitimacy and authority, all essential features of country risk potential, is not a linear process but rather a function of a number of interrelated and dynamic structural factors.¹ This is especially relevant to explaining country risk since changing structural conditions can reverse (in very short periods of time – e.g. months and years) these essential features.

What differentiates one country's risk from another? As a basic structural characteristic, a history of armed conflict is certainly relevant. Risk also differs in the extent of a country's governance capabilities and changes in political stability over time as well as its level of militarization, population heterogeneity and demographic stress. Country risk can also be distinguished by the extent of a country's human development record. The stress a country places upon its environment also serves as indicator of country performance. Finally, the extent to which a country has fostered international linkages both positive and negative and its location in hostile regions are useful indicators of country risk

A note on the linkage between a severity index, risk assessment and early warning

It should be noted that ultimately the analysis of country risk leading to early warning capabilities requires a systematic, multi factor and integrated approach. It requires a framework which on the one hand heeds the historical context and on the other hand, identifies the more specific causes and interactions of specific acts of violence. Thus, a blend of analytical skills - those that combine in-depth analysis with regional and country expertise - in addition to those which can identify and explain dynamic patterns of behaviour are essential for providing policy relevant early warning options. Risk assessment alone, cannot be expected to provide precise points at which specific events are likely to occur. Causal risk assessment models such as a severity index must be enhanced through in-depth case study, field monitoring and in-depth events data analysis. By its nature a macro study can only identify broad parameters of change. For specifics, analysts must continue to rely on micro assessments of particular countries and situations as they always have.

Thus the severity index developed here is a macro level indicator and by itself is not an early warning indicator.² This is because most analysts who seek to develop early warning capabilities are confronted by three distinct sets of empirical puzzles. Each puzzle is drawn from the perspectives of systemic transformation, state-society relations and violent interactions and events. The first perspective associates risk potential with *macro-level changes*.³ The second emphasises *intermediate state-society relations* and the third emphasises *micro-level strategic interactions between groups* at specific points in time. More generally:

- **Macro** or long-term processes associated with structural transformations and the associated structural problems of country risk;
- **Intermediate** mechanisms associated with institutional viability and state weakness; and

• **Micro** or short term selection processes and mechanisms that account for preferences of violence over pacific forms of strategic interactions and the subsequent escalation and/or duration of ethnic hatreds, violence, repression, and war at specific points in time. Unfortunately, theoretical insights such as these, are insufficient to generate effective and specific policy responses to conflict. This is because most theories by themselves lack specificity and they rarely consider the “operational milieu” in which effective responses have to be generated. Theoretical insights are however useful as a starting point for more in-depth analysis and then only if decision-makers can be persuaded that the information is useful to finding an appropriate fit between strategy, the problem at hand and the resources available.

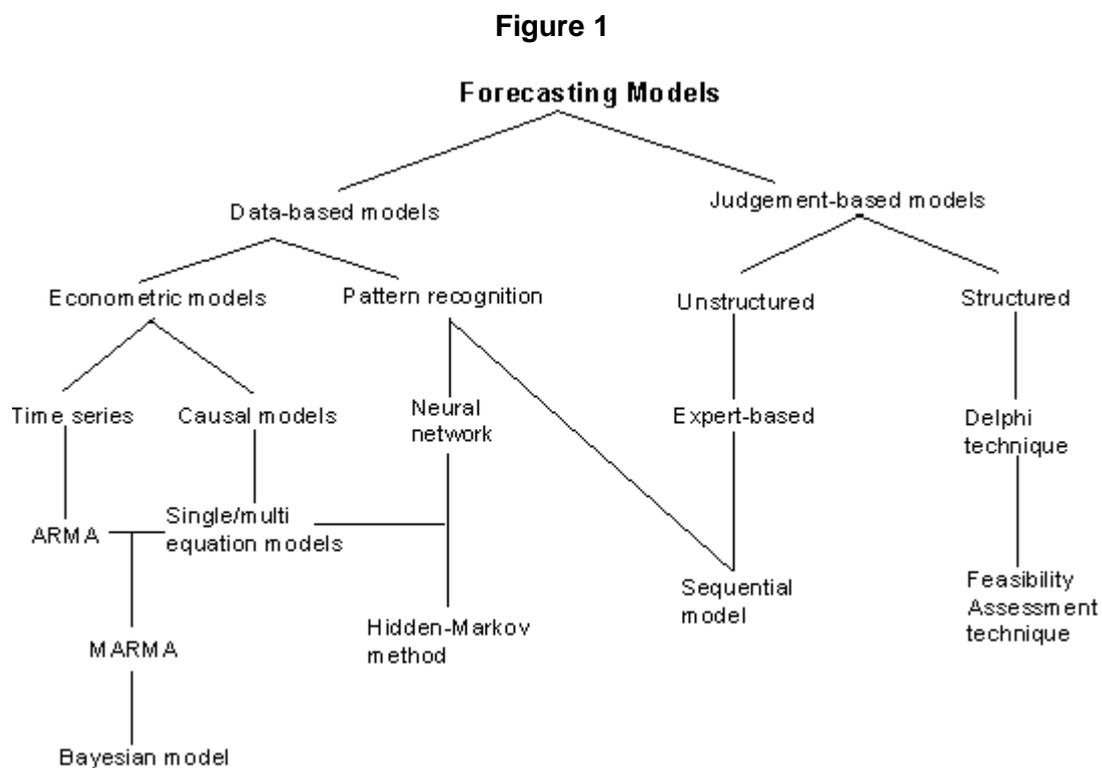
These problems mean that analysts must establish a time frame appropriate to the issue at hand. In this sense, anticipating conflict is like peeling an onion in which each analytical layer noted above reveals progressively longer time lines: long term fundamental dynamics relating to macro-level pre-conditions and consequences, mid-term intermediate behavioural patterns, and immediate micro-level events such as political crises and ethnic cleansing.

For example, warning must come several years in advance to respond strategically to structural problems (development, institution building, establishing infrastructure) but only months or less when escalation is imminent and when the tasks are to engage in preventive diplomacy, dialogue, and mediation.⁴

Model development combining all three approaches is important because it specifies the relationship between these levels of analysis rather than treating them as independent and isolated causal factors. Drawing on the above discussion a dynamic model for early warning should focus on two types of variables: configurational variables which defines processes in terms of the interaction between units of analysis (e.g. state and society, warring factions etc to be presented in a separate paper); and composite variables which characterize risk potential by summarizing the attributes and performance indicators of a country over time (such as the severity index and its associated composite indicators).

Thus early warning is a three step process involving the use of both composite and configurational variables. These three steps are: 1) identifying the relevant configurational and composite variables; 2) postulating thresholds in order to identify significant transformations and shifts from states of equilibria; and 3) determining the independence of variables in order to isolate the causal significance of each variable. Articulating such constructs and concepts is useful in the generation of propositions or hypotheses about state change. These propositions can in turn be tested empirically to determine whether or not they have factual support. To the extent that use of conceptualizations enables the theorist to describe and explain, in simple language, complex conflict processes, the use of concepts is justified. However the ultimate focus of the theorist should not be these constructs and models. They should be understood only as heuristic devices to explain complex phenomena to policy makers.

Models used to generate evidence for the explanation and prediction of conflict potential correspond to the configurational and composite approaches described above.⁵ These kinds of models include forecasting as well as risk assessment models.⁶ As Dipak Gupta shows – in addition to distinct levels of analyses these approaches can also be distinguished by their methodologies as depicted in Figure 1.



Source: Gupta, D. 1997.⁷

The following approaches are identified according to the methodology employed and the level of analysis:

1a) • Macro Level *evaluation of structural indicators* (econometrically or through pattern recognition techniques) (e.g. parts of the State Failure Project; PIOOM; CIFP; HEWS; ICB; FIRST, Rummel's Democide data-base, Uppsala's Conflict data-base);⁸

1b) • Macro Level *time series of leading indicators*⁹ (e.g. IOM; Refworld; FAO' s GIEWS; Reliefweb; the UN system-wide Earthwatch; HazardNet for disasters; the global early warning system for displaced persons - GEWS);

2a) • Intermediate Level *conjunctural models* that track changes in pre-specified events and interactions between groups (eg conflict/cooperation, genocide, non-violent protest) using machine-coded data, pattern recognition and neural networks (e.g. GEDS; PANDA; KEDS);

2b) • Intermediate Level *structured (Delphi) and subjective* models, which utilize a team of experts who identify key actors and estimate their future position on a given issue (regime stability, turmoil likelihood, investment restrictions and trade restrictions) with regards to their power to influence the outcome, the importance (salience) they attach to the issue, and the certainty or firmness of the actor' s orientation (eg, Decision Insights; Political Risk Services)¹⁰. The scores which emerge from this assessment are used to provide a formal estimate of probability;

3a) • Micro Level *sequential models* which develop risk assessments based on tracking of specific behaviours – using accelerators (e.g. parts of State Failure; CEWS);

3b) • Micro Level *response models* which evaluate outside response to conflict and develop feasibility assessments based therein (e.g. Helen Fein's Life Integrity Violations Approach; IDRC's PCIA);

3c) • Micro Level *field reporting* by NGO networks (e.g. FEWER; FAST; ICG, CIPDD) using structured and/or unstructured reporting techniques.¹¹

The array of choices in terms of units of analysis, deductive and inductive methodologies, qualitative and quantitative theoretical assumptions and time frames renders politically relevant and integrated analysis of state failure difficult but not impossible. On the one hand, where conflicts are well understood in both form and content and the causes are proximate and escalation is likely, the main problem will be to identify the relevant configurational variables through an evaluation of micro-level interactions (3a,b,c). On the other hand, where the situation is latent, a state of equilibrium is achieved or behaviour is only remotely suggestive of political or economic collapse, careful monitoring of composite indicators and trends at the macro and intermediate level will be essential (1a,b, c; 2a,b,c).¹²

The severity index identified below draws on the work of CIFP in developing macro-level indicators of country performance.

The severity index: a composite structural indicator of risk potential

The index of severity is based on the assumption that there is a logical connection between state performance and changes over time such that there is a need to separate out the absolute development of a state' s capabilities within the international system, and the relative development of a state' s capabilities within the international system. Whereas the former process will always be unidirectional (though reversible) as a state develops (or regresses) over time, the latter process is going to be curvilinear because a state's performance is being

measured against other states in the international system which will or will not be developing at a more rapid pace.

Thus, the proper referents for understanding the severity index are not only a state's own past, present and future performance in absolute terms but its performance relative to other states at any given point in time. The rate of change (which is understood by examining a state's relative performance as opposed to absolute performance) whether progressive or regressive tells us whether a state is moving either towards collapse or improvement. In other words, characteristics and indicators are useful for defining severity only if there are appropriate reference cases from which to compare. And since these reference points are themselves evolving over time it is important to understand that "risk potential" is a relative term and has meaning only with respect to state performance at specific points in time.

This distinction between absolute and relative performance not only helps us separate out causes from consequences it also provides us with some clues about where we should look for explanations.

Country risk will be measured by an index of severity consisting of nine composite indicators, armed conflict, governance and political stability, militarization, population heterogeneity, demographic stress, economic performance, human development, environmental stress and international linkages. The higher the index of severity, that is the greater the weighted scores of the composite indicators, the greater the risk of prolonged conflict that country faces. The core task in operationalizing the linkage between the composite indicators and the index of severity is to determine the overall weight of the composite indicators. The index of severity can be used to generate comparable scores for, and a rank order of overall country risk.

The index of severity is based upon a weighted summation of the nine composite indicators. By specifying their potential impact on the structure of a country, these weights will be derived deductively. Causal inferences about severity and country risk are at issue. Since there are nine composite indicators and each could be conceivably related in a causal manner to any or all of the others there exists a maximum of 72 potential linkages.¹³ The weight assigned to each indicator is based on the number of linkages it is expected have with the others and thus its input into overall severity. Each composite indicator will be defined in operational terms.

S₁: History of Armed Conflict – Weighting: 6

Armed conflict is indicative of a political culture with a higher risk to parties resorting to violence as a means of implementing change and airing grievances. Armed conflict is also indicative of a state's carrying capacity to provide basic security, potentially resulting in the loss of popular confidence in state institutions and state legitimacy.

For armed conflict six linkages are postulated and two (*environmental stress, demographic stress*) are independent of its effects. Armed conflict is expected to affect *governance and political stability* in a direct way by increasing a state's level of political instability and problems of governance. Most assessments of armed conflict, specifically intrastate violence, underscore the prominent role played by elites in the mobilization process. Failed states in particular are viewed as a problem of "emerging anarchy" where organized groups that lack many of the attributes of statehood must pay attention to the primary problem of their own security.¹⁴ Violence becomes part of elite political culture that is assimilated into the national identity. Violence becomes a useful political tool.¹⁵

Militarization too is sensitive to armed conflict to the extent that armed conflict can result in excessive military expenditures and a disproportionate share of a country's budget on the needs of the military. Charles Tilley suggests that successful use of coercion by a state in order to suppress local ethnically-based challenges enhances the assessment of its future utility. Hence, coercion against minority ethnic groups is also a normative factor since elites who use violence become habituated to violence.¹⁶

Population heterogeneity is also affected by armed conflict to the extent that ethnic and other divisions within a society become rigid and deeply cleaved through warfare. In a state of emerging anarchy, or whenever the internal balance of power shifts, questions of control become pre-eminent. This strategic environment can cause hostile groups to fear extinction and yield to mob violence. Accordingly, political opponents may emulate traditional state behaviour by seeking relative power gains against other groups. The lack of an arbiter – internal or external - induces problems of credible commitment between groups that do not trust one another and who are liable to misrepresent information for relative gains.¹⁷

Economic performance and *human development* are also directly affected by a history of armed conflict – to the extent that an allocation of fund to fuel conflict can result in the growth of a black market, corruption and skewed and declining incomes. Inflation and levels of foreign investment as well as basic living standards are also affected.

Finally, *international linkages* are directly affected by armed conflict in several important ways. Frequent and intense hostile interactions with neighbouring states can undermine regional security. The prevalence of armed conflict can affect neighbouring states. When a state loses its ability to regulate and control an internal conflict, the problem becomes a regional security dilemma because that weakness invites external intervention. From this perspective, localized conflicts presents a security dilemma along two dimensions: states that pursue intervention because of the domestic opportunities that could be obtained from exploiting divisions in neighbouring states and states whose internal weakness leads to efforts to defend itself from this external involvement.

S₂: Governance and Political Stability – Weighting: 5

Governance and Political Stability is linked to five indicators with three (*environmental stress, population heterogeneity and demographic stress*) independent of its affects.

Militarization, armed conflict and economic performance are directly affected by governance and political stability in a number of important ways. The emergence of political parties based on ethnic identity and the diminishing capacity of secular elites at the state-centre to influence the political behaviour of those below them. Political disorder emerges precisely because of the failure of prevailing democratic and secular values to legitimize new socio-economic hierarchies.

Similarly, a state's legitimacy is closely tied to the kinds of domestic policies it pursues (whether foreign or domestic). Narrow policies are usually perceived as less tenable than broad distributive ones. In the absence of strong, secular organized parties and strong institutional structures, ideology and culture become the focus for understanding elite-mass behaviour. Quite often the state itself does not counter internal problems as they arise from the environment but it is the state's actions that are directly responsible for these dilemmas in the first place. The state does not merely respond to crises, produced by uneven mobilization and

social change, but is itself the dominating force providing differential advantages to regions and ethnic groups.

Human development correlates strongly with weak and unstable governance as well. An ineffective government or one that has ceased to function, is unable to provide for the well-being of its population or protect it from internal and external threats.¹⁸ States weaken when they are unable to provide basic functions for their citizens.¹⁹ The economy weakens. Education and health care are non-existent. Physical infrastructure breaks down. Crime and violence escalate out of control. These conditions generate opposition groups which often turn to armed insurrection. These conflicts create huge population shifts and refugee crises, long-term food shortages, failing economies, and the death of large numbers of civilians due to disease, starvation and direct conflict.²⁰

Finally *international linkages* are directly affected by governance and political stability. Democratic and stable governments are more likely to adhere to prevailing international norms of reciprocity and peaceful negotiation. Unfortunately, weak plural states encounter special problems in maintaining strong institutional capacity and safeguards that directly affect their neighbours. The rise of authoritarian states usually results in a minority group's perceived sense of exclusion and failure in the social, economic and political domains.²¹ As a result, minority groups recognize that internationalization of their demands can both simultaneously encourage internal mobilization and weaken the saliency and effectiveness of the state by creating international forums for sub-state grievances.²² This legitimization process is supported by the existence of supranational organizations and international norms which provide a forum and focal point for sub-national claims.

S₃: Economic Performance – Weighting: 6

Economic performance has six causal connections with two (*environmental stress and militarization*) having independent effects.

Economic performance affects *human development* in a number of important ways including declining incomes, inflation, exchange rate collapse and declining levels of foreign investment) affects material living standards and can aggravate dissatisfaction with *government performance*.

According to Dane Rowlands and Troy Joseph economic performance affects *armed conflict*:

It is widely believed that economic factors are an important part of the set of conditions associated with the emergence of conflict. For example, Brown identifies high unemployment, high inflation, resource competition, inequality, and economic modernization as specific conditions that may contribute to the use of violence by some groups within a society.²³ Indeed, economic factors have retained the attention of analysts, such as those at the Carnegie Commission²⁴, interested in the diminution of conflict propensities.

They go on to note that:

More importantly, empirical research finds support for the general claim that economic conditions influence a variety of political and social events including violence and government instability. With respect to the former economic equity issues are front and center in many analyses of state failure. For example, Gurr and Duvall state that “greater social justice within nations in the distribution of economic goods and political autonomy is the most potent path to social peace.”²⁵ Gurr cites further evidence of the link between minority rebellion and economic differentials, while Gurr and Duvall and Kpsowa and Jenkins, among others, draw out the link between external economic dependence and a heightened vulnerability to various forms of civil disorder.²⁶

Additionally, high debt burdens negatively affect social investments, fuelling popular unrest and other preconditions to social conflict. Thus economic performance is also causally linked to *government performance and political stability*.

Low involvement in international trade is associated with higher risk of state weakness given the conditions that inhibit levels of international trade and foreign investment (such as corruption, and poor infrastructure). Thus there is a causal connection to *international linkages* as well.

According to Nick Van De Walle:

Most observers agree with the view that the support of the international community helped support political stability in the region through the 1980s. It is usually argued however, that the international context began to turn against existing state structures in Africa in the early 1980s with the rise of *structural adjustment*, and then that the end of the Cold War precipitated a much more hostile international context for state formation. Thus, writing in the mid 1990s, when it seemed like there was a sharp rise in the number of civil conflicts in Africa and other parts of the developing world, Stedman (1996) argued that external factors largely help to explain the rise in internal conflict, and pointed to two external factors in particular: the end of the Cold war and “the triumph of free market ideas”, which he asserts “undermined the external sources of support for Africa’s patrimonial regimes and left some with no legs to stand on” In sum, he adds, “economic conditionality cut at the heart of the patrimonial state.”²⁷

With respect to *demographic stress*: economic conditions can result in the migration to urban centres, increasing burdens on municipal services and resulting in worsening scarcity and urban living conditions.

Finally, high levels of economic inequality can contribute to social fragmentation and declining state legitimacy thus influencing *population heterogeneity*.

S₄: Militarization – Weighting: 5

Excessive military expenditures can indicate general *militarization* of the state apparatus and the potential for increased involvement in military affairs. It also reduces investment in social sectors and finally shifting military expenditures can destabilize the regional balance of power. Thus, militarization has five causal connections with three (*population heterogeneity, demographic stress, and environmental stress*) having independent effects.

With respect to *human and economic development* in many states the demand for open and responsive institutions cannot keep pace with rapid changes in the socio-economic system. This disjuncture creates recurring problems of governability for those in power. The resulting breakdown begins at the state-centre as traditional patterns of authority give way to regional and ethnic forms of political organization. In some cases the breakdown is temporary although the transition is uncertain. The institutions most deeply affected are federal structures. Where power once flowed freely from the top down, there emerges a more narrow base of power controlled by dominant ethnic groups. The net result is conflict between single groups dominating political institutions and the counterbalancing efforts by minority groups to “wrest” control from the centre.

With respect to *armed conflict and international linkages* the shift in a state's economy towards military expenditures and arms imports/exports can destabilize the regional balance of power. More often than not, “the weapons of choice are small arms, light weapons and explosives because they are cheap, plentiful, durable, easily transported and simple to use”.²⁸

Political stability and governance are also directly affected. During periods of political upheaval, soldiers who remain on the sidelines will have difficulty in putting local affiliations and interests aside. The incapacity of newly elected governments to manage internal tensions becomes a prime reason for the armed forces to support leaders who promise to address their concerns. If the military is pulled into civilian affairs, there will be a progressive narrowing of the ethnic base of a regime until one or two groups come to dominate the rest. Eventually the boundaries between the military sphere and the socio-political sphere become fragmented.

S₅: Environmental Stress – Weighting: 5

Environmental stress is causally related to five composite indicators with three (*governance and political stability, militarization, population heterogeneity*) having independent effects.

Environmental stress causally influences *economic performance and human development*. The degradation and depletion of renewable resources can generate effects such as constrained economic productivity and growth, poverty and migration.

Scarcities in natural resources also influences *armed conflict*. Scarcities can result in increased demand and/or unequal distribution, raising the potential for conflict.

In addition, environmental factors influence *demographic stress* such as population growth and density and scarcity risks sharpen existing disparities between groups.

Similarly, resource scarcities can alter and affect relations between states. Thus environmental stress directly influences *international linkages*.

S₆: International Linkages: - Weighting: 5

International linkages are causally connected to five composite indicators, with three (*environmental stress, human development, and population heterogeneity*) having independent effects.

Countries with fewer diplomatic, political commercial trade or cultural linkages with regional organizations and neighbouring states are less likely to profit from constructive engagement with outsiders actors in areas such as development assistance, mediation and support in peace processes. Thus international linkages influence, *economic performance and human development*.

Participation in international regimes and organizations can help reduce security risks by codifying broad rules and processes by which to resolve disputes peacefully. International linkages influence the propensity for *armed conflict*. Frequent and intense inter-state political or territorial disputes can undermine regional security.

The prevalence of armed conflict in neighbouring states can have destabilizing effect on national stability, through cross-border refugee flows which affect *demographic stress* and the movement of rebel forces which influence the creation of regional war economies.

Finally, the prevalence of non-democratic or transition regimes across the region can impact national security through direct degradation and influence on *political instability and governance*.

S₇ : Population Heterogeneity, Weighting: 4

Population Heterogeneity has four direct causal affects with four (*economic performance, environmental stress, demographic stress and human development*) being independent.

Population heterogeneity affects *armed conflict* and *militarization* in similar ways. For example, tensions and cleavages are greater in ethnically divided societies or religiously heterogonous populations. Political inequalities along group lines can give rise to separatist mobilizations and aggravate the potential for conflict and in extreme cases separatism. Consider Heraclides' assessment of 75 post-1945 separatist wars.²⁹ Heraclides found that six outcomes were possible: 19 of the 75 cases he examined involved victory by the state-centre (as in the Thai Malay of Thailand); 22 conflicts of the 75 involved some form of autonomy or accommodation through a peace accord (as in the Gorkhas in India or the Serbs in Bosnia-Herzegovina); 8 conflicts remained unresolved with the separatist group either in disarray or temporarily quiescent (as in Kosovo); 8 had tenuous or ambiguous ceasefires as in the Shan, Mon and Karen separatist movements in Burma; and 13 conflicts remained deadlocked with sporadic and ongoing violence (as in Kashmir or the Kurds of Iraq). Of the 75 separatists wars since 1945, only 5 have been outright victories by the separatist group: Tigray, Bangladesh, Eritrea, Croatia and Slovenia.³⁰

International linkages are directly affected by population heterogeneity in two ways: through horizontal and vertical escalation. Horizontal escalation refers to a situation in which events in one state change directly the ethnic balance of power in a neighbouring state. Through this path, ethnic displacement, refugee flows and spontaneous population transfers constitute a form of contagion. The movement of displaced ethnic groups creates changes in demography thereby creating regional instability. For example, the violent outflow of Tutsis and moderate Hutus from Rwanda to Zaire and Burundi in 1994 has created a new class of militant ethnic leaders that Howard Adelman has characterised as "refugee warriors."

Ethnic conflicts also expand horizontally when groups in one country may prompt groups in another to make more extreme demands. This constitutes a demonstration effect. Groups in one state, witnessing ethnic mobilization by ethnic groups in another, may increase their own political activities. The latter recognize that internationalization of their demands can both simultaneously encourage internal mobilization and weaken the saliency and effectiveness of the state by creating international forums for substate grievances. This legitimization process is supported by the existence of supranational organizations and human rights organizations, which provide a forum for subnational ethnic claims. Consider the 25 June 1991, declarations of independence first by Croatia and then by Slovenia as a demonstration effect that emboldened both states to commit to full separation from the Yugoslav Federation.

Horizontal escalation also occurs through information flows and transnational media networks that condition the behaviour of ethnic diasporas. Information flows directly influence the level of protest and rebellion and the level of ethnic mobilization among ethnic brethren. Ethnic diasporas provide material and non-material support for politically mobilized ethnic groups. These affective links are crucial for an ethnic separatist movement to prosper and grow.

Vertical escalation, in contrast, refers to a set of deliberate strategic interactions and processes by which the behaviour of one state creates a crisis for one or more state actors who perceive a core threat to values. Escalation is interstate ethnic conflict leading to crisis, intervention and possibly war.

The first thing one thinks about when the word escalation is mentioned is a potential armed assault of one state by another. Two perspectives are worth noting. First, any effort to interfere with or disrupt the internal affairs of the states could lead to escalation. Both covert and overt activities would be included in this definition. Intervention of this kind may be the calculated use of political, economic and military instruments by one country to influence the domestic or the foreign policies of another country. Escalation will not be and, indeed, has not been, confined solely to the interactions between states through military means. It encompasses a broader range of activities, although it is hard to find agreement on what these might be.

In more specific terms, interstate ethnic conflict leading to escalation can occur in four non-mutually exclusive ways. First, through spillover effects.. Ethnic warfare will literally spillover into neighbouring territories through direct state intervention: (a) support for the state-centre against an ethnic insurgency; (b) covert or overt support for the rebellious minority and; (c) efforts at reconciliation between state-centre and minority. Directed external hostile acts include compellence, verbal and military threats and non-directed external changes.

Second, ethnic conflict often contains within it an irredentist dimension. These ethnic conflicts involve whole communities and states, with very little negotiation, high levels of violence, and occasional escalation to full-scale war. Core values frequently are threatened. Irredentist movements usually lay claim to the territory of an entity -- almost invariably an independent state -- in which their in-group is concentrated, perhaps even forming some local majorities.

Third, ethnic conflict provides a basis for "diversionary wars." Accordingly, interstate ethnic crises constitute a way of transforming an internal conflict to an external one. When a state beset by internal conflict enters into a conflict with another state, internal coherence is expected to increase because those within the state will put aside their differences in order to pursue the higher goal of avoiding national invasion. The conclusion is that, instead of being resolved, conflict is usually transformed by redefining the actors, issues or modes of operation. An original conflict, such as domestic unrest threatening an insecure government, can be transformed and possibly even intensified at an interstate level.

Fourth, authoritarian states within a troubled region may seek out and identify weak states with significant internal conflicts. This predatory state involvement in ethnic conflict can produce basic changes in structure, such as the nature of actors and distribution of capabilities, or process, ranging from alliances to norms.. This kind of intervention generates characteristic patterns of political development, with a direct influence on alliance formation, domestic repression, civil war and risky foreign policy behaviour .

Finally, *governance and political stability* are affected by population heterogeneity. According to Ted Robert Gurr, Director of the University of Maryland' s Minorities at Risk Project at least twenty new states are experimenting with democratic institutions. Much

of the recent upsurge in communal conflict, Gurr argues, has occurred precisely in these states, and as a direct consequence of the fact that institutional change has opened up opportunities by which communal groups can more openly pursue their objectives. Motivations for forming ethnic groups may be material, as in mobilization for the defence of interests, or as attempts by the group to either frustrate or promote modernization. Changes experienced at one level, such as dehumanization (a psychological factor), stimulate cohesiveness and eventually increase polarization between groups. Symbols are important group markers in this process of mobilization. Third, organizational skills and regional concentration are also crucial to the development of political activity. Leadership is crucial to the rise and growth of ethnic movements. Increased scales of ethnic organisation encourage ethnic mobilisation to the extent that small-scale bases of ethnic organizations are weakened in favour of large scale ethnic affiliations that provide the organizational framework and constituency for ethnic collective action. Finally, ethnic mobilisation elicits a response from the dominant group and state against which it is reacting. Reciprocity and interactions also are important factors to consider.

S₈: Demographic Stress – Weighting: 4

Demographic stress influences four composite indicators, with four (*militarization, population heterogeneity, human development, international linkages*) having independent effects .

High population density and growth rates can accentuate *environmental stress* by heightening competition for physical and social resources.

Economic performance is also affected by heavy populations placing burdens on local services resulting in worsening scarcity and urban living conditions. *Governance and political stability* are also affected.

Finally, young unemployed populations can be political volatile and prone to violence, thereby influencing *political stability* and increasing the likelihood of *armed conflict*.

S₉: Human Development- Weighting: 3

Human development has a direct impact on two composite indicators, with five (*environmental stress, demographic stress, economic performance, militarization, population heterogeneity and international linkages*) having independent effects.

Poor material and living standards correlates strongly with higher risks of *violent conflict* and state failure. Poverty is a fundamental cause of civil strife.

The lack or decline in public services such as health services, safe water and sanitation indicate weak state capacity to distribute and allocate vital resources that can decrease popular confidence in the state leading to *governance problems and political instability*.

Finally, unmet expectations regarding educational opportunities for social advancement can increase discontent and the propensity for civil strife.

Notes

¹ Ted Robert Gurr, (ed.) *Handbook of Political Conflict: Theory and Research*, (New York, 1980) and Samuel Huntington, *Political Order In Changing Society*, (New Haven, CT, 1968).

² The Index of Severity is a concept more fully developed by Patrick James and Michael Brecher in their volume *Crisis and Change in World Politics* (Westview Press, 1986).

³ The number of states within the system varies across time and region so conflict and failure may also be a function of the number of states in the system. The relatively new states of Africa have the largest number of groups subject to relatively severe discrimination (Gurr 1992: 20) and that the potential for minority-based conflict in Africa is high - "...once violence begins, it often escalates to very high intensity." (Gurr 1992: 29). In a similar vein, Brecher and Wilkenfeld found that Africa was most prone to violent ethnic conflict for the period 1945-1988 (1997). See Ted Robert Gurr, "The Internationalization of Protracted Communal Conflicts Since 1945: Which Groups, Where and How?" In Manus Midlarsky (ed.), *The Internationalization of Communal Strife*, (London: 1992), 4-24 and Michael Brecher and Jonathon Wilkenfeld ("The Ethnic Dimension of International Crises" in David Carment and Patrick James, (eds.), *Wars in the Midst of Peace: The International Politics of Ethnic Conflict*, (Pittsburgh, PA, 1997), 164-193.

⁴ Mary O. McCarthy, "Potential Humanitarian Crises: The Warning Process and Roles for Intelligence" in Susanne and Howard Adelman, (eds.), *Synergy in Early Warning Conference Proceedings*, Toronto, Canada, March 15-18, 1997, 15-16.

⁵ Of the commercial tools, the most comprehensive products are those provided by the Economist Intelligence Unit, International Crisis Group, Stratfor, Political Risk Services, and Control Risks Information Services. It is important to note that the definitions of political risk ratings varied widely between instruments. For example, the majority of the commercially available tools focus on the risk to business interests and define political risk very narrowly as it relates to the willingness and ability of a given state to repay its loans. Databases available through Moody' s Investors Service, Standard and Poor' s Rating Group, Business Environment Risk Intelligence and Euromoney are examples of narrowly focused economic forecasting systems encompassing only limited elements of political risk. Overall, however, all of these instruments rely heavily on qualitative analysis by experienced analysts, with a surprisingly low level of methodological complexity.

⁶ Forecasting is about the likelihood an event will happen. By itself it has no strategic connotation or purpose. Forecasting can be either passive (about events over which we have no control) or active (about events over which we have some control). For example, weather forecasts are a form of passive forecasting; they do not tell us that when there is a 50% chance of rain, whether it will rain half the day, or whether it will it rain every half hour or whether it will it cover half the region. To be policy relevant, forecasting needs to take on additional qualities. It must be diagnostic, by which emphasis is on describing how and why things work as they do and it must be prescriptive, offering explicit recommendations to policy makers faced with certain kinds of problems.

⁷ Dipak Gupta, "An Early Warning About Forecasts: Oracle to Academics" in Susanne Schmeidl and Howard Adelman, (eds.), *Synergy in Early Warning Conference Proceedings*, Toronto, Canada, March 15-18, 1997, 375-396.

⁸ Listed acronyms and organizations include: PIOOM the Dutch acronym for Interdisciplinary Research on Root Causes of Human Rights Violations (http://www.fsw.leidenuniv.nl/www/w3_liswo/pioom.htm); CIFP - Country Indicators for Foreign Policy (<http://www.carleton.ca/cifp>); HEWS – Humanitarian Early Warning System (http://www.reliefweb.int/ocha_ol/programs/pad/hews.html); ICB- International Crisis Behaviour Data Project (<http://web.missouri.edu/~polsjih/ICB/>); FIRST – (Facts on International Relations and Security Trends (<http://www.sipri.se/projects/database/index.html>); Democide Research Homepage – (<http://www2.hawaii.edu/~rummel/>); Uppsala's Conflict Database (<http://www.pcr.uu.se/data.htm>); IOM- International Organization for Migration (<http://www.iom.int/>); Refworld (<http://www.unhcr.ch/refworld/country/cdr/cdrsom2.htm>); GIEWS – Global Information and Early Warning System (<http://www.fao.org/giews/english/giewse.htm>); The UN-based EarthWatch (<http://www.unep.ch/earthw.html>); HazardNet (<http://hoshi.cic.sfu.ca/~hazard/>); GEWS – Global Early Warning System (<http://fugimodel.t.soka.ac.jp/FUGI/chapter6/chapter6.html>); GEDS - Global Event Data System (<http://geds.umd.edu/geds/>); PANDA – Protocol for the Assessment of Nonviolent Direct Action – (<http://www-vdc.fas.harvard.edu/cfia/pnsocs/panda.htm>); KEDS – Kansas Events Data System (<http://www.ukans.edu/~keds/>); Political Risk Services (<http://www.polrisk.com/>); CEWS – Conflict Early Warning Systems (<http://www.usc.edu/dept/LAS/ir/cis/cews/>); IDCR- PCIA – Peace and Conflict Impact Assessment (<http://www.idrc.ca/peace/>); USAID's Impact Assessment - *Participatory Country Program Strategic Planning, and Performance Monitoring, Field Manual*, USAID/BHR; FAST – Early Recognition of Tension and Fact Finding (<http://www.swisspeace.ch/>); ICG – International Crisis Group (<http://www.intl-crisis-group.org/>); CIPDD – Caucasian Institute for Peace, Democracy and Development (<http://www.armazi.demon.co.uk/cipdd.html>).

⁹ A leading indicator approach would use previously identified relationships or sequences of events to identify the precursors of instability or conflict. The basis for this approach holds that there are sequencing regularities that allow the forecaster to discover what variable to focus on in order to project a trend. The major disadvantage of a leading indicator approach is that while it can often predict the direction of change, it gives no indication of its magnitude.

¹⁰ For an example of predictions using the Decision Insights model see: Patrick James and Michael Lusztig “Assessing the Reliability of Predictions on the Future of Quebec” in David Carment, John F. Stack Jr. and Frank Harvey, (eds.), *The International Politics of Quebec Secession: State making and State Breaking in North America*, (Westport, CT: 2001).

¹¹ In order to establish an integrated framework for analyzing the emergence of violent conflict and conflict management, it is necessary to understand how each given type of crisis typically develops and which possible avoidance efforts can be effective. In general terms, the factors that contribute to conflict escalation are categorized as: structural factors (root causes), accelerators (precipitators/facilitators), or triggers (catalyzing events). *Structural Factors*: Background conditions that form the pre-conditions of crisis situations such as systematic political exclusion, inherent economic inequities, lack of adequate and responsive institutions, the presence of ethnic minorities, resource exhaustion, and over-dependence on international trade. *Accelerators*: "feedback events that rapidly increase the level of significance of the most volatile of the general conditions, but may also signify system breakdown or basic changes in political causality." *Triggers*: Sudden events that act as catalysts igniting a crisis or conflict, such as the assassination of a leader, election fraud, a political scandal.

¹² Portions of this part of this paper are based on the risk assessment and conflict indicators approach developed by the Country Indicators for Foreign Policy.

12. That may exist. One intervening indicator alone would double the analysis to over 150 possibilities. To preserve the clarity of the index no effort will be made to incorporate the indirect linkages

13. Barry Posen, "The Security Dilemma and Ethnic Conflict." *Survival*, (XXXV, 1993) 27-47.

¹⁵ These include military regimes and one-party states. In states that have little or no experience in managing ethnic tensions, and constraints are low, hegemonial exchange and its more coercive variant, the control model, are the usual alternatives. Control models differ from hegemonial-exchange models to the extent that there is a superordinate ethnic group in power. The elites of these groups have developed the techniques of coercion, depoliticization and cooption in order to maintain power. Control becomes institutionalised and usually arises when the state is faced with imminent collapse.

¹⁶ When intergroup violence ensues, states take control through the provision of policing and similar functions. The degree of enforcement available to states is variable. At one end of the spectrum are "police states" in which all forms of political conflict are discouraged. Frequent success in the use of state-organized violence (for example, to achieve national consolidation and suppress internal challenges) leads to the development of police states.

¹⁷ Ronnie Lipschutz and Beverly Crawford, (eds.) *The Myth of Ethnic Conflict*, (Berkeley, 1999), 36.

¹⁸ To understand what a failed state is, it is important to understand a successful state. At its core, a successful state provides for the basic security of its population, protecting it from both internal and external threats. It also has the capacity to provide for the health and welfare of its population. See: <http://www.cdi.org/adm/1307/transcript.html>.

¹⁹ *State Failure Task Force Report* (November 30, 1995). Prepared by: Daniel C. Esty, Jack A. Goldstone, Ted Robert Gurr, Barbara Harff, Marc Levy, Geoffrey D. Dabelko, Pamela T. Surko, and Alan N. Unger. According to the Task Force a failed state is one that is "utterly incapable of sustaining itself as a member of the international community" (p. 1). Narrowly defined however, "state failures consist of instances in which central state authority collapses for several years" (ibid.). However, since fewer than 20 such episodes have occurred during the last 40 years, it is difficult for any statistical analysis. Therefore, the task force broadened the concept of state failure to include a wider range of civil conflicts, political crises, and massive violations of human rights that are typically associated with state breakdown. In line with such a broad definition, the task force isolate four kinds of state failure: (1) revolutionary wars, (2) ethnic wars, (3) mass killings, and (4) adverse or disruptive regime change. Using more than 2 million pieces of data and examining more than 600 potential independent variables, the task force identified 75 high-priority variables deemed to be: (1) most likely to correlate with state failure and (2) based on reasonable complete and reliable data sources. They classified these variables into four broad areas: "Demographic and societal measures, such as infant mortality, school enrolment, and population change; Economic measures, such as GDP per capita, change in inflation, and trade openness; Environmental measures, such as access to safe water, drought, and intensity of use of cropland; Political and leadership measures, such as democracy level, traits of ruling elites, and presence of ethnic discrimination and separatist activity" (pp. vii-viii). The second Task Force Report builds on the first one. The task of this second phase was basically refining the models used in the first phase. The statistical analyses of this phase identified factors correlated with state failure, basically not much different from the first phase. Among the factors identified were: "The finding that a greater involvement in international trade is associated with lower risks of state failure suggests that policies that create a climate conducive to international trade could help prevent political crises; Because partial democracies – often newer ones – were found to be

associated with elevated risks of failure, particularly in countries where quality of life is relatively low, democratization policies may have to be combined with broader development strategies that help improve the overall standard of living. This finding also suggests that the gradual introduction of democratic institutions may improve the chances of having a durable transition. Findings on Sub-Saharan Africa suggest, perhaps surprisingly in light of the prevalence of ethnic conflicts, that while ethnic factors bear monitoring, the fact of ethnic discrimination or domination by itself is not the most important factor generating conflict.

²⁰ Adelman, Howard "Responding to Failed States." Paper prepared for a conference on *Canada and Global Issues*, Ottawa, October 26, 1996. Howard Adelman and Astri Suhrke *Joint Evaluation of Emergency Assistance to Rwanda* (Norway, 1996). See also: Barbara Walter and Jack Snyder (eds.) *Civil Wars, Insecurity and Intervention* (New York, 1999).

²¹ The cases of Biafra, Ethiopia and Somalia are illustrative. In each instance, organized groups, threatened with human rights abuses drew the attention of a variety of monitoring groups including United Nations bodies, private organizations such as Amnesty International and church groups. More instrumental factors relate to the differential bearing that trade and economic development assistance have upon various ethnic groups within a state.

²² For Smith organized violence is largely associated with the growth of an ethnic intelligentsia and the emergence of a repressive state dominated by a specific nationalist group Anthony D. Smith, Anthony, "Conflict and Collective Identity: Class, Ethnic and Nation," in Edward Azar and John Burton, (eds.), *International Conflict Resolution* (Boulder, 1986) 63-84. See also Michael Nicholson, "Failing States, Failing Systems." Paper presented at the Failed States Conference, Purdue University, West Lafayette, February 25-27, 1998.

²³ Michael Brown, "The Causes and Regional Dimension of Internal Conflict," in Michael Brown, (ed.), *The International Dimensions of Internal Conflict*, (Cambridge, 1996).

²⁴ Jane Holl et. al., *Final Report on Preventing Deadly Conflict*, (New York, 1997).

²⁵ Ted Robert Gurr and Raymond Duvall, "Civil Conflict in the 1960s: A Reciprocal Theoretical System with Parameter Estimates," *Comparative Political Studies*, (VI, 1973, 160).

²⁶ For a full analysis see Dane Rowlands and Troy Joseph "The International Monetary Fund, Civil Strive and Conflict Prevention," in David Carment and Albrecht Schnabel *Conflict Prevention: Grand Illusion or Path to Peace?* (Washington, D.C. 2001, in press); Ted Robert Gurr, "Why Minorities Rebel - A Global Analysis of Communal Mobilization and Conflict since 1945," *International Political Science Review*, (XIV, 1993), 161-201; Gurr and Duvall, "Civil Conflict in the 1960s;" Augustine Kpsowa and J. Craig Jenkins, "The Structural Sources of Military Coups in Postcolonial Africa, 1957-1984," *American Journal of Sociology*, (99, 1993), 126-163.

²⁷ See Nicolas Van de Walle "The Economic Correlates of State Collapse," State Failure Paper presented at a conference on state failure, Cambridge, 2001 and Stephen Stedman "Conflict and Conciliation in Sub-Saharan Africa," in Michael E. Brown, (ed.), *The International Dimensions of Internal Conflict*, (Cambridge 1996), 243.

²⁸ See <http://www.cdi.org/adm/1307/transcript.html>. See also Pauline H. Baker and John A. Ausink, "State Collapse and Ethnic Violence: Toward a Predictive Model," *Parameters*, Spring, (1996), 19-31.

28. Heraclides' assessment excludes low-intensity, low fatality separatist conflicts such as the Basque separatist movement in Spain.

³⁰ Heraclides, Alexis. 1997. "The Ending of Unending Conflicts: Separatist Wars." Millennium: Journal of International Studies. 26:3, pp.679-703. Heraclides, Alexis. 1991. The Self-Determination of Minorities in International Politics. Portland, OR: Frank Cass.