Building Resilient Inter-Ethnic Peace

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A key challenge that many nations face in the twenty-first century is to build societies that not only are able to peacefully accommodate increasing ethnic diversity but also to leverage its potential benefits. This is not necessarily a straightforward task. Ethnically-diverse communities tend to provide fewer public goods to their citizens (e.g. Alesina, Baqir and Hoxby 2004, Alesina and La Ferrara 2005), and are less likely to voice common priorities (e.g. Ban, Jha and Rao 2012). With ethnic identities often coordinating political competition as well, it is perhaps not surprising that violent conflict is more likely in ethnically polarized countries and regions (e.g. Montalvo and Reynal-Querol 2005, Esteban, Mayoral and Ray 2012, Jha 2023 and Figure 1 below). With 82.1 million people around the world forcibly displaced due to persecution and conflict in 2020i, and widespread economic migration, the challenge of building resilient inter-ethnic peace is one faced not only by societies that have been diverse historically but increasingly in nations and communities with less experience navigating a diverse setting.

Yet, the challenge of building resilient inter-ethnic peace, while modern, is also very old, and communities around the world have addressed it, with varying degrees of success, for centuries. What can economic theory, in combination with the historical experiences of these communities, tell us about the necessary conditions for resilient inter-ethnic peace, and how these can be fostered?

Figure 1: Violent clashes between two armed groups, 2018-2020. Source: Armed Conflict Location and Event Data (ACLED), and Jha 2023.
The very process of moving to a mixed location means that individuals from different ethnic backgrounds, though now living side-by-side, often bring with them different endowments—whether knowledge, networks or other resources—that can influence both their relative mobility, and shape their economic opportunities as well. It is true that ethnic identities often coordinate both economic and political competition, and in turn such competition often renders ethnic identities more salient (see e.g. Olzak 1992, Posner 2004, Jha 2014). But members of different ethnic groups can also bring their complementary skills and endowments to the table as well. When can such inter-ethnic trade provide a path to resilient peace, and when does it fail?

The conditions for resilient inter-ethnic peace

In a series of papers, I provide evidence for a simple model for understanding the conditions that can support inter-ethnic peace over time even when one group starts off highly vulnerable to violence: lacking resources to defend itself through physical force. I distinguish between cases with vulnerable local (indigenous) and non-local (e.g. immigrant) groups, who differ in their relative mobility. For example, indigenous groups, with their knowledge, skills and networks concentrated locally, may find leaving a location more costly than for immigrant groups, who may have retained endowments and ties in other places. I consider a setting, where, every period, individuals in each group can choose to leave, to produce and trade a good if they stay, and then choose whether or not to target another with violence. Violence is costly and risky but can be used to seize the target’s profits or to punish actions.

I show that even when one group is extremely vulnerable to violence, peaceful co-existence is still possible over long periods of time. But this requires three conditions. First, members of ethnic groups need to be able to produce goods and services that complement each other rather than compete. Second, the source of the inter-ethnic complementarity needs to be costly to simply seize or copy. Finally, over time, the vulnerable group has to enjoy sufficiently good outside options or work in an activity that is difficult to precisely monitor, so that they can credibly threaten to leave or not produce if targeted with violence.

To understand why, suppose instead of producing complements, ethnic groups do compete. Then the strong will have an incentive to attack the weak, not just to steal their profits, but also to try to induce them to stop producing or to leave, thereby reducing the future competition they face. Note that simple inter-ethnic contact among those living side-by-side does not solve this problem over time: in fact the longer the strong expect the weak to remain, the greater the gains from getting rid of their future competition.

Second the source of the inter-ethnic complementarity needs to be hard to steal or replicate. If it comes from land, wealth, machines or other endowments that are easy to simply seize, strong individuals will have incentives to do just that. Skills and knowhow, being intangible, are naturally impossible to steal, but can be potentially replicated over time as well. This is particularly true of low skilled activities that are easy to enter.

In contrast, trading networks are intangible, thus impossible to steal, and when the networks become large are difficult to replicate. Similarly, as I illustrate below, other types of specialized skills and organizations developed by some ethnic groups can also be difficult to copy by others. These can provide robust sources of complementarity.
Yet, even with such complementarity, there may be incentives for violence: instead of the strong seeking to expropriate, replicate and then get rid of vulnerable competitors, now they have incentives to coerce vulnerable groups into producing their valuable complementary good, and if the niche they occupy becomes too lucrative, to target them with violence to seize the resultant wealth. Indeed, the histories of Latin America, the Caribbean and sub-Saharan Africa, in particular, contain many examples where new access to trade has led to vulnerable indigenous groups to face violence and forced labour instead. Elsewhere, non-local trading minorities, rather than enjoying robust peace, have often been the targets of violence and expropriation instead. This is particularly the case in periods of political instability when local dictators and others for whom violence is cheap care more about extracting income than about potential future losses of trade.

Thus, vulnerable group members need to be able to credibly threaten to withhold their complementary production in order to deter attempts to coerce them through the threat of violence. As their mobility improves, as can be the case for trading minorities as their networks expand or immigration barriers elsewhere fall, vulnerable non-local groups can deter attempts to coerce them through the threat of violence by themselves credibly threatening to leave, taking the joint gains from trade with them. However, for less mobile groups, including many indigenous communities, leaving is often less of an option and deterring coercive violence that much harder. One avenue that remains is to provide complementary goods whose production is difficult to monitor and therefore to coerce (Diaz-Cayeros and Jha 2017, Jha 2018).

The conditions above not only ensure robust potential gains from inter-ethnic trade but also that the strong prefer to cooperate with rather than coerce the weak. Further, such conditions not only mitigate the incentives for violence, they also generate incentives for members of both strong and vulnerable groups to make mutual investments in further complementary institutions to reinforce the incentives for peace over time.

Though they share a common logic, these institutions have historically taken a number of forms, all of which provide useful clues for contemporary policy. One often crucial supporting set of institutions are those that facilitate nonviolent means to share the gains from trade and peace between and within groups. This role has been played in some places by joint political decisionmaking, in others by businesses that internalize the gains from peace and still others by explicitly religious organizations. Other complementary organizations insure against negative shocks and coordinate the development of norms and beliefs supporting trust, trustworthiness, and continued complementarity in new areas. Such institutions can persist and support resilient inter-ethnic peace even if the initial source of inter-ethnic complementarity, e.g. in overseas trade, has been undermined over time.

Testing the conditions: Hindus and Muslims in South Asia

One useful environment to test the importance of these conditions is through the history of Hindu and Muslim relations in South Asia. South Asia has a rich history of cultural diversity and houses the largest population of Muslims in the world, yet Muslims are still a minority overall. That history has been punctuated by waves of terrible religious violence, including in the twenty-first century. In February 2002, when a railway carriage carrying Hindu activists, caught fire in the town of Godhra in the affluent western Indian state of Gujarat, killing more than 58 people. This led to a wave of Hindu-Muslim rioting in that state with close to a thousand killed and 98,000 forced to flee their homes (Jha 2014).
Yet, Gujarat itself is the home state of Mahatma Gandhi and long traditions of *ahimsa* or non-violence. There was widespread religious rioting in erstwhile medieval capitals, mint towns, and other places where, historically, Hindus and Muslims competed for political and economic patronage (Jha 2014). In contrast, Gujarati medieval ports, like Surat and Gandhi’s own hometown of Porbandar, where Hindus and Muslims enjoyed centuries of robust inter-ethnic complementarity in overseas trade, the violence was much more muted, and they remained “oases of peace” despite having often larger Muslim minorities (see Figure 2a). Snap state elections were called by the incumbent Bharatiya Janata Party (BJP) state government just three months after the riots subsided. The BJP gain 10 seats with a 4.84 percentage point increase in its vote across the state, despite, and in the eyes of some, because of their failure to check the ethnic violence. In sharp contrast, in medieval ports, voters swung away from the BJP by 6.28 percentage points, despite the fact that the BJP had previously enjoyed a majority in many of those constituencies in the 1998 elections (Jha 2014, see also Figure 2b).

![Figure 2: Hindu Muslim Riots in Gujarat, February-April 2002, and legislative election seat winners, pre- (1998) and post-Riots (July 2002). Source: Jha 2014](image)

Why were Porbandar, Surat and other Gujarati medieval port towns different? It turns out that they, and other medieval ports in the Indian Ocean, satisfied the three conditions for resilient inter-ethnic peace between Muslims and non-Muslims outlined above. Medieval overseas trade in the Indian Ocean was largely coordinated by Muslim pilgrimage routes, particularly the Hajj, which meant that for one month a year, for close to a thousand years, Mecca became one of the largest markets in the world. And one had to be a Muslim to go to Mecca. This created a Muslim specific advantage in overseas trade that was highly complementary to local production. As a trading network it was naturally intangible, so impossible to seize, and given the immense scale of the Hajj, very difficult for others to replicate. These Muslim traders were highly mobile, and came to dominant overseas trade in the Indian Ocean in the medieval period, with trading outposts not only along all of South Asia’s coasts, but also those of East Africa and Southeast Asia, reaching as far as China (Jha 2013).

They also benefited from a decentralized means to share the gains from trade. Unlike many ethnic trading networks, which are hard to enter for non-members, entry into trade was relatively easy for any Muslim, simply by following the pilgrimage routes, and whenever prices were high for goods and services from the Middle East, conversion and immigration generated sufficient competition
within Muslim groups that the gains from trade was shared relatively equitably with locals as well.
Indeed, contemporaries, such as Sheikh Zayn-al-din al Malibari, writing in 1528, noted both the
presence of the inter-ethnic complementarity in trade and the ``remarkable” nature of the tolerance
Muslims had enjoyed in these ports. vii

Due to intense cyclonic activity, inlets that could provide sheltered natural harbours to sailing ships
were heavily favored as locations for these medieval ports, and such natural harbours competed
with one another to attract the highly mobile Muslim traders (see Figure 3a). The monsoon rains
also force large amounts of silt down the mouths of such inlets. Some like Mahad, named for “the
Great Market” that once existed there, and even the main Mughal Hajj port-- Surat itself-- would silt
up and cease to be directly accessible to overseas trade (Figure 3b). Muslim trade advantages
further diminished with European colonization, with concerted efforts by the Portuguese, Dutch
and the English to divert trade beginning in the 16th century. Yet, beliefs, norms and organizations
supporting tolerance continued to persist in the medieval port towns (see Jha 2013). viii

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Figure 3: (A) A navigators’ map (portolan) by Portuguese cartographer, Diogo Homem, ca 1559 emphasizes
the natural harbours connected by trade and pilgrimage routes in the Indian Ocean. ix (B) Competing medieval
ports emerged at these sheltered inlets on India’s coasts and elsewhere to tap both coastal and trans-oceanic
trade. Some of these, like Mahad (the “Great Market”) would later silt up due to monsoon rains and become
inaccessible to modern trade.
For example, Gandhi would recount his upbringing in the medieval port of Porbandar as an important influence on his non-violent beliefs, citing in particular his mother’s temple in particular. She was of the Pranami sect, founded in the medieval port of Jamnagar. The sect was known for keeping Korans with their temples and for fostering active discussions about the common ground between religions.

Norms also emerged to reinforce the incentives for inter-ethnic trade, particularly as Muslim advantages began to erode. Hindus in medieval ports adopted a custom called *Kaala-pani* (black water): any Hindu who sailed overseas (i.e. in competition with Muslims) would lose their caste and be subject to ostracism by other Hindus.

Organizations also emerged to share the gains from trade and ensure against shocks. Members of Muslim trading communities engaged in local philanthropic endeavors, including dispensaries and sponsoring relief efforts in response to cyclones. On the Coromandel coast, Muslims even endowed Hindu temples. Local peace committees and joint political delegations formed in other ports in times of crisis as well (Varshney 2002, Jha 2013). To this day, in some communities, like the Daudi Bohras and the Ismailis, religious authorities encourage and help facilitate members seeking to enter businesses and create joint ventures with locals in new but complementary areas (Penrad 2000, Blank 2001, Jha 2013).

These institutional legacies have had measurable and large effects on peace. In Jha 2013, I measure the causal effects of robust historical inter-ethnic complementarities on contemporary ethnic violence by using small medieval-era natural harborages that subsequently silted up as a natural experiment: an exogenous factor that drove the location of robust inter-ethnic complementarities in trade that is specific to the medieval period. I show that medieval ports experienced around five times fewer riots on average between 1850-1950 (Jha 2013, see also Figure 3a). However, medieval ports were on average poorer and a more mixed population: these are factors generally associated with more rather than less ethnic violence.

Further, and in contrast, medieval mint towns, despite also being historically wealthy, but where skilled Hindu and Muslim artisans competed for patronage, experienced twice as many riots as otherwise similar towns in the colonial period. Colonial-era ports, founded after Muslim advantages had eroded, and towns on internal trade routes, which could be replicated, also did not benefit from increased tolerance.
Such differences in peace and conflict have also proven to be resilient: peaceful coexistence in medieval ports mostly survived the wave of Hindu-Muslim riots that followed the failure of South Asia’s first major mass political movement (the Khilafat / Non-Cooperation movement of 1919-1922, Figure 4a) that saw the first breakdown of tolerance in other towns (Figure 5, see also Bhavnani and Jha 2022). Districts with medieval ports were also less likely to witness ethnic cleansing of their religious minorities during the Partition of South Asia, one of the greatest forced migrations in world history (Figure 4b and Jha and Wilkinson 2012).

Since independence, these differences have persisted over time, though some medieval ports did succumb to their first breakdown of peaceful coexistence (Figure 4b and 5). This appears to have accelerated following the oil shocks of the 1970s, which were followed by an inflow of resources for less-homegrown institutions coming from Middle East. However, riots have remained less frequent and intense in medieval port towns. Further, into the 21st century, household surveys show that relative to other urban Muslims, those in medieval ports are less likely to report violence in their communities, reveal smaller wealth gaps with Hindus, and continue to be more specialized in trading relationships. Unlike other urban Muslims, they were as likely as Hindus to vaccinate their sons against polio, a useful indicator of trust in an environment where vaccinations have often been viewed with fear (Jha 2013).
Figure 5: The Survival of Ethnic Tolerance: Kaplan-Meier plots of the proportions of medieval ports and other South Asian towns surviving without any Hindu-Muslim riots between 1850 and 1995. Source: Jha 2013.

Other Settings

Inter-ethnic complementarities appear to have had historically similar effects in mitigating pogroms and violence faced by other vulnerable minorities as well, including Jews in Salonica and elsewhere in Europe (Benbassa and Rodrigue 2000, Mazower 2005, Jha 2018, Grosfeld, Sakalli and Zhuravskaya 2019, Becker and Pascali 2019). In Mexico, indigenous communities producing cochineal, a highly fragile, indigenously domesticated insect that was the finest known source of red dye for centuries, were 5 times more likely to survive the years that followed the devastating European conquest of Mexico (Diaz-Cayeros, Espinosa-Balbuena and Jha 2022), and continue to benefit from better development outcomes to this day (Diaz-Cayeros and Jha 2017). Cochineal-producing communities also satisfied our conditions: cochineal was the most valued processed good in New Spain, its fragility made it difficult to transplant, and it required careful attention and skill that was hard to monitor (Diaz-Cayeros and Jha 2017). In contrast, among pastoralist and cultivator communities in sub-Saharan Africa, historical complementarities in the timing of grazing patterns are now being disrupted by climate change, leading to increasing conflict (McGuirk and Nunn 2021).
Concluding Remarks

Building resilient inter-ethnic peace is not easy. Yet, throughout history, organizations have been created to support tolerance that can provide useful insights into how it can yet be done. Alongside power-sharing approaches (see Mueller and Rohner, 2018), other methods that have been employed include the creation of institutionalised mechanisms to facilitate the nonviolent sharing of the gains from peaceful exchange and the fostering of joint business organizations based upon the existing complementary skills and opportunities of groups.

A number of these approaches may yield dividends for ethnic tolerance, particularly when combined with 21st century technologies. For example, if designed to align incentives and encourage learning, modern financial approaches can be effective in empowering citizens while sharing the gains from and raising support for peace (Jha 2012, Jha and Shayo 2017, 2021, Jha, Mitchener and Takashima, in progress). Organisations that match members of different communities with complementary skills in the creation of joint business ventures may also be effective for improving ethnic relations. The challenge of building resilient inter-ethnic peace goes far back in history, but so too do potential solutions.

References


Al-Malibari, Zayn-al Din, Tohfat-ul-Mujahideen, translated by M.J. Rowlandson [1833], 1528.


Mueller, Hannes and Dominic Rohner “Can power-sharing foster peace? Evidence from Northern Ireland”, Economic Policy, 33(95), 447-484, 2018


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iii Formally, by a peaceful coexistence equilibrium, I mean a subgame perfect Nash equilibrium where there exists there are mixed populations, no one has an incentive to leave, everyone produces, and there are no incentives for violence.
v See e.g. Chua 2003 and Grosfeld, Sakalli and Zhiravskaya 2019.
See e.g. Milgrom and Roberts 1990, Milgrom, Qian and Roberts 1991 and Jha 2013. On institutions as sets of beliefs, norms and organizations that induce regularities of behavior and evolve over time, see Greif 2005 and Greif and Laitin 2004.

In *Tohfat-ul-Mujahideen* ("Gift to the Holy Warrior" - as its name suggests, not a treatise on peace), Malibari 1528 writes: "Now in all these [Malabari ports] the population became much increased and the number of buildings enlarged, by means of the trade carried on by the Mahomedans, towards whom the chieftains of those places abstained from all oppression; and, notwithstanding that these rulers and their troops were all pagans, they paid much regard to their prejudices and customs, and avoided any act of aggression on the Mahomedans, except on some extraordinary provocation; this amicable footing being the more remarkable, from the circumstance of the Mahomedans not forming a tenth part of the population . . . (al Malibari 1528, 17)."

For example, writing of the medieval port of Calicut, the East India Company factor John Fryer wrote in in the late 17th century: "What is left of Calicut is not equivalent to what might be expected from the gleaning of so many Ages of Traffic . . . For the City that stood upon stilts is tripped up, for down it is gone; and the Temple, whose Marble Pillars durst compare with those of Agrippa's in the Roman Pantheon, is topsy-turvy . . . The citizens are urbane, being trained up to Commerce, but the trade is gone to Goa, along with the Portugals . . . (Dasgupta 2004)"

Source: The British Library digital collections, now in the public domain.

See e.g. Penrad 2000 for the Ismaili Industrial Promotion Services in Africa and Jha 2018 for a description of the activities of *Business Alternatives of Peace and Reconciliation*, an NGO founded by Stanford Sloan Fellow Vivek Garg to leverage artisanal designs from conflictual groups in Manipur in northeast India.