



PEACE ECONOMICS: A DESIRABLE APPROACH IN THE WESTERN BALKANS

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Abstract *Firstly, the article introduces peace economics as an interdisciplinary sub-field located at the intersection between peace and economics concerns, an emerging security studies sub-field tightly interconnected with the ones of crisis management and post-conflict reconstruction. Secondly, it looks at the different tools the peace economics is relying on for measuring peacefulness, emphasizing their assets and drawbacks. Thirdly, it puts forward two major arguments as to why a peace economics would be beneficial for the Western Balkans, including improving the economic and social well-being, and contributing to the societal security and the state-building, nation-building and region-building processes in the region.*

Key words:

Peace economics; crisis management; post-conflict reconstruction; Western Balkans

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1. Introduction

A relatively novel and still emerging security studies sub-field, peace economics is tightly interconnected with the more established ones of crisis management and post-conflict reconstruction. Crisis management is the application of strategies designed to help an organization deal with a sudden and significant negative event. Crisis management can effectively be political, military or humanitarian and can be caused by political or armed conflict, technological incidents or natural disasters and it can involve military and non-military measures to respond to a threat, including the protection of populations against natural, technological or humanitarian disaster operations. Post-conflict reconstruction aims at the consolidation of peace and security and the attainment of sustainable socio-economic development in a war-shattered country. Post-conflict reconstruction is broadly understood as a complex, holistic and multidimensional process encompassing the effort to simultaneously improve military (restoration of law and order), political (governance), economic (rehabilitation and development) and social conditions (justice and reconciliation). The economic dimension of post-conflict reconstruction usually involves tasks such as distribution of relief assistance, restoration of physical infrastructure and facilities, reestablishment of social services, creation of appropriate conditions for the private sector development, and implementation of essential structural reforms for macroeconomic stability and sustainable growth. Although the historical roots – both intellectual and practical – of post-war

reconstruction efforts are traceable in the 19th century, the first truly international post-war reconstruction efforts occurred in the aftermath of the First World War, being carried out by the League of Nations in Austria, Hungary and Turkey (Williams, 2005, pp. 546-548). Furthermore, the most notable and successful examples of post-war reconstruction efforts were carried out only after the Second World War. They concern the work of the United Nations Relief and Rehabilitation Administration towards Europe and China (1943-1946), the loans of the International Bank of Reconstruction and Development to Europe, the economic assistance to Japan, and the Marshall Plan for Western Europe (1948-1951), which by far stands out as the most successful initiative of such type. While throughout most of the Cold War period post-conflict operations consisted of development assistance and natural disaster relief, the proliferation of intra-state ethnically and politically motivated conflict in the 1990s not only brought back the post-conflict reconstruction concerns, but highlighted a set of special needs of post-conflict emergencies in war-torn societies, to which international financial institutions (IFIs) were rather ill-prepared. Consequently, revising their underlining philosophy and policy tools and methods, the international donor community adopted more interventionist policies and merged efforts towards relief, rehabilitation and development from the onset of its involvement in post-conflict situations (Boyce, 2004).

2. What is peace economics

As an interdisciplinary sub-field located at the intersection between peace and economics concerns, peace economics is defined as the “economic study and design of political, economic, and cultural institutions, their interrelations, and their policies, to prevent, mitigate, or resolve any type of latent or actual violence or destructive conflict within and between societies” (Brauer and Dunne, 2012, p. 145).

Where does peace economics stand in relation to crisis management and post-conflict reconstruction? First, peace economics shares commonalities with both crisis management and post-conflict reconstruction as it aims both to mitigate and resolve any form violence or conflict, and to improve the overall situation leading to a sustainable peace. However, its remit is larger than both crisis management and post-conflict reconstruction comprising a more comprehensive and robust set of institutional measures spanning from the economic field, to the social, political and cultural fields, and from conflict prevention and mitigation, to reconstruction and sustainable peace programmes implementation. Second, peace economics addresses all forms of violence, including direct, structural, cultural, symbolic, and market/drug market violence. Direct violence includes observable incidences of self-directed, interpersonal or collective violence, including physical, verbal or psychological acts that inhibit or insult our basic needs and/or physical persons. Described by Johan Galtung as the “avoidable impairment of fundamental human needs or life which makes it impossible or difficult for people to meet their needs or achieve their full potential,” direct violence involves the use of physical force, like killing or torture, rape and sexual assault, and beatings or the threat to use force. Structural violence exists when some groups, classes, genders, nationalities, etc are assumed to have, and in fact do have, more access to goods, resources, and opportunities than other groups, classes, genders, nationalities, etc, and this unequal advantage is built into the very social, political and economic systems that govern societies, states and the world (Galtung, 1969). Structural violence is systemic in the sense that harming people by preventing them from meeting their basic needs is an in-built feature of a given social structure or social institution. Cultural violence refers to aspects of a culture that can be used to justify or legitimize direct or structural violence in religion and ideology, language and art, science and law, media and education, making violence acceptable (Galtung, 1990). Symbolic violence, also referred to as “soft” violence, is a derivative from the concept of symbolic power which was first introduced by French sociologist Pierre Bourdieu to account for the tacit and almost unconscious modes of cultural/social domination

occurring within the every-day social habits maintained over conscious subjects. Symbolic violence accounts for the misrecognized acts of violence that include soft forms of violence that have discriminatory or injurious meaning or implications such as gendered, class and racist practices, and institutionalized modes of “discipline and punishment” which could be seen as expressions of a certain shared habitus. Symbolic violence is essentially the imposition of categories of thought and perception upon dominated social agents who then take the social order to be just. It is the incorporation of unconscious structures that tend to perpetuate the structures of action of the dominant social order. As it is embedded in the very modes of action and structures of cognition of individuals, and imposes the spectre of legitimacy in the social order, symbolic violence is much more powerful than direct violence (Wacquant, 2008). Market violence is the use of direct violence in the business operations of profit-maximising exchange activity. The notion of market violence transcends the classic guns-versus-butter dichotomy by discarding the assumption that appropriative activity is distinct from productive activity and by underlining the fact that some criminal organisations are using violence for economic reasons (Hagerty, 2013). The drug market violence is a particular case of market violence which often negatively influences post-conflict reconstruction and sustainable peace processes. As put forward by Paul Goldstein back in 1985, drugs and violence are related in three main ways, namely psycho-pharmacologically, systematically and economic compulsively. However, recent empirical research suggests the narrative framework as a fourth way of explaining the drugs-violence nexus. The narrative framework unpacks the meanings commonly held and understood by drug users and street offenders (Jacques and Allen 2015). Moreover, recent research suggests that not only drug consumption and addiction increase the incidence of violence, but drug prohibition and its enforcement also increase the drug market-related violence (Copes *et al.*, 2015).

For the purpose of this article is useful to make a distinction between the concepts of peace and peacefulness. Peace refers to the idealised concept of absence of violence and conflict, whereas peacefulness refers to the degree of its manifestation in reality. Lately, the sub-field of peace economics has made great strides in measuring peacefulness and demonstrating its profitability. Thus, the benefits of peace to business and good business to peace are measurable and scalable. The peace metrics used in peace economics includes a number of innovative tools. A social phenomenon previously considered unmeasurable, peacefulness has its own tool of

measurement, i.e. the Community Peace Index (CPI), which measures change in feelings of peacefulness across members of a community. In its turn, the Global Peace Index (GPI) produced by the Institute for Economics and Peace (IEP) and introduced in 2007 is a tool to rank the world's countries in order of their peacefulness. The GPI quantifies the negative peace, i.e. the absence of direct violence or fear of direct violence. Last but not least, the Positive Peace Index (PPI) quantifies the positive peace, i.e. the presence of the attitudes, institutions and structures that ensure freedom from all forms of violence and the development of a sustainable social system (Institute for Economics and Peace, 2011). The positive peace, as a more robust concept of peace, underlines the fact that there are a number of distinct aspects of development and social sustainability that correlate significantly with the absence of direct violence. Useful as it is, the current peace metrics has, nonetheless, its own shortcomings, which include the potential for a Western rich-country bias in the formulation of indicators and collection of data, and the failure to address gender equity as a component of peacefulness (Hallonquist, 2013). Domestic violence and violence against women are acts of direct violence that should be included in assessments of both negative and positive peace. In fact, the larger the gender gap between the treatment of men and women in a society, the more likely a country is to be involved in intra and interstate conflict, to be the first to resort to force in such conflicts, and to resort to higher levels of violence. Furthermore, aggregating data across ethnic divisions conceals the differences various ethnic groups may have in experiencing peacefulness – as, for example, in the case of Kurdish citizens in Turkey (May, 2013). Thus, current challenges to measuring peace include appropriate definitions and units of analysis, reliable data sources and collection, and meaningful aggregation, i.e. taking into account differences various ethnic groups may have in experiencing peacefulness, and aggregating data not only at the country, but also local level. Additionally, as some of the common indicators are based in state-centric definitions of conflict, there is a somewhat arbitrary distinction between a lack of peacefulness that results from organised armed conflict and that resulting from organized crime.

More often than not, the private sector's active involvement is a characteristic feature of peace-building initiatives. Although it is difficult to assess which types of business are more peace enhancing than others, it is safe to say that overall businesses have positively influenced prospects for lasting peace. There is a wide variety of businesses that operate in conflict-affected countries and regions. Because of their size, resources and visibility, the transnational corporations have an

important role to play. They may be a key source of direct investment and their choice of business models and practices could make a difference in local business ethics. Private security companies play also an increasing role especially with regards to relevant policies including counter-terrorism and counter-piracy. But transnational corporations and private security companies are not the only kind of businesses and may not necessarily be the most important in a conflict-sensitive area. Local businesses may well have greater impact on local economies and may have greater desire to promote practices that create stability and peace. In war-shattered societies the private sector is involved in the provision of food, shelter, health care and education. However, businesses and market-based systems too often exclude groups of people from accessing their needs, thus creating negative results along with positive ones. For instance, extractive industry firms have often been identified as creating tensions that make civil war more likely. Their central economic resource is control of a specific territory. Revenues from resource-rich countries have also been recognized to create a "resource curse" that amplifies corruption and inequities in society. However, the original intent of market based businesses was to efficiently supply those goods, thus non-violently solving conflicts over scarce resources. Empirical studies show that businesses' successful collective impact relies on infrastructural support-coordination, logistics and resources from a central source (Schlehuber, 2013). Taking into consideration the fact that the private sector excels at leadership, communications, resource management and logistics, infrastructural support is an ideal role for businesses in building peace. Examples of successful private sector peace-building efforts include monitoring supply chains for sustainability and conflict sensitivity, lobbying governments, and using creative human resources policies to bring parties together. Other cases in which firms were active players in peace-building initiatives have highlighted as winning solutions engagement with ethnic-based unions for labour reform, negotiations support, technical support, behind-the-scenes shuttle diplomacy, and the involvement of international actors (Makgetla, 2013). To be sure, in some cases, there were risks associated with the businesses' engagement in the peace process, from the loss of clients and governments contracts to possible imprisonment. However, due to the increasing labour unrest, the rising cost of labour disputes was a key point at which different segments of the private sector converged on similar engagement. By sharing power with political and labour leaders, businesses created a win-win situation characteristic of a positive-sum game. The financial constraints imposed by the economic and financial crisis to governments and

private sector alike led, among other things, to a heightened awareness of the crucial importance of the public-private partnerships (PPPs) in the successful implementation of peace-building initiatives.

3. Why one needs peace economics in the Western Balkans

There at least two major arguments and opportunities in favour of promoting and implementing a peace economics approach in the Western Balkans.

3.1. Improving the economic and social well-being of the region

As the economies of the Western Balkans were rather late in entering the financial and economic crisis, they are likely also to be late in getting out of it. To what extent a specific country has experienced the crisis harder has depended to a large extent on its vulnerability to it. More vulnerable have been those countries with a greater level of indebtedness, lower liquidity reserves, lower investments and a reduced inflow of income. For instance, whereas Croatia and Montenegro have acquired a significant hard currency inflow from summer tourist activities, Bosnia and Herzegovina (BiH) and Kosovo have remained largely dependent on a high level of foreign financial aid to cover their budget deficits. Similarly, in terms of social well-being there are significant disparities within region, with Croatia far ahead the average standard and Kosovo far behind it. However, overall, the region remains one of the poorest in Europe (Štiblar, 2009, pp. 178, 190).

The crisis hit hard particularly Bosnia and Herzegovina (BiH), forcing it to ask for the IMF's help in order to avoid an economic collapse. However, the IMF's stiff conditionality has directly affected the social stability of the country, leading to social tensions. Moreover, the crisis has aggravated disparities in investment and unemployment between the Bosnian-Croat entity and Republika Srpska as well as the citizens' involvement in the grey economy. Furthermore, with a dramatic 44.1 per cent, in 2013 BiH scored the highest in unemployment rate among the seven former Yugoslav countries. Another heavy blow to BiH's economy was inflicted by Croatia's joining the European Union starting the 1st of July 2013, due to the fact that Croatia has been the most important commercial partner of BiH and the Bosnian products have not fulfilled the European standards. By the beginning of February 2014, the high levels of poverty, unemployment and corruption combined with the social consequences of the failures in the privatization of big companies triggered a series of protests and riots in key urban centres of the country, labelled by some media outlets and politicians as the Bosnian Spring.

3.2. Contributing to the societal security and the state-building, nation-building and the region-building processes in the Western Balkans

As underscored by Barry Buzan, "societal security concerns the sustainability, within acceptable conditions for evolution, of traditional patterns of language, culture and religious and national identity and custom" (Buzan, 1991, pp. 19-20). By contrast, societal insecurity "exists when communities of whatever kind define a development or potentiality as a threat to their survival as a community" (Buzan *et al.*, 1998, p. 119). Even more than in other parts of Europe, in the Western Balkans "many local conflicts are related to vertical competition between nations-states and minorities-nations" (Buzan, *et al.*, 1998, p. 132) whose integrating or secessionist-"regionalist" projects drag them "toward either wider or narrower identities" (Buzan, *et al.*, 1998, p. 120). Back in 1998, Buzan, Wæver and de Wilde predicted that societal insecurity "will be of increasing importance" (Buzan, *et al.*, 1998, p. 139) compared to other security sectors. In retrospect, one can safely conclude that history has fully confirmed their prediction, at least as far as the Western Balkans is concerned.

As evinced first in the cases of Bosnia and Herzegovina (1995), Eastern Slavonia, Baranja and Western Sirmium (1996) and Kosovo (1999), since the mid-1990s, peace-building and reconstruction of war-shattered societies in the Balkans have increasingly taken the shape of *de facto* international trusteeships. Viewed by some analysts "as a fundamental or semi-fundamental institution of international society," the international trusteeship is defined as "the temporary (although sometimes relatively permanent) assumption of governmental authority over a territory and its population by the UN or other representatives of the international community based on a relatively stable and institutionalized set of habits and practices shaped towards the comprehensive reconstruction of war-torn societies and the management of contested territories with the declared aim of promoting the (re)establishment of orderly and just affairs in domestic society, the normalization of its international relations, and a progression to self-rule or, sometimes, independence from the former sovereign authorities" (Knudsen and Lausten, 2006, p. 9).

In Bosnia and Herzegovina (BiH), the multi-ethnic equilibrium remains fragile as the political institutions in the country are still fairly weak and the badly needed and once heavily talked to Dayton 2 Agreement failed to materialize. Moreover, against the background of population's high level of trust in the ethnic-based political parties and nationalists leaders, talks of ethnic-based secession along the line of major ethnic groups (Bosnians, Croats and Serbs) are a recurring topic of

conversation. Symptomatically, although overall BiH has become the most improved country over the last decade or so among the former Yugoslav countries according to The Fund for Peace's *The Fragile States Index 2014*, the country's score for Factionalized Elites has remained unchanged, and the Human Rights and Rule of Law score has actually worsened. That's why in BiH peace-building and reconciliation processes are as significant today as ever (Brisard, 2014, pp. 35-36).

The Republic of Kosovo (since 17 February 2008), although recognized by 110 countries is still unrecognized by five EU Member States, i.e. Cyprus, Greece, Romania, Slovakia and Spain, and, more importantly, by two permanent members of the UN Security Council, i.e. Russia and China. In fact, the international community continues to be divided on the issue of the international recognition of Kosovo. The Serbian-Kosovar bilateral agreement through which Prishtina and Belgrade have committed themselves to solve much of their disagreements was reached only after serious EU mediation efforts and painful concessions by the two parties which came to realize that commitment to European values was the only way forward for leaving behind the destructive logic of their troubled past and move towards reconciliation. With paltry investment and a staggering ten per cent unemployment rate, Kosovo is facing dire economic and financial difficulties. The unresolved situation in Mitrovica, the divided northern part of Kosovo over which both Serbia and Kosovo, formally or informally, exercise their authority, presents further problems for the bilateral relations of the two neighbouring countries. Immediately adjacent to Kosovo, the predominantly ethnically Albanian Preševo Valley region in south-eastern Serbia expressed its resolve at least for more autonomy from Serbia. Once actively pursuing autonomy, and ultimately independence from Serbia, lately this region has limited its push for more autonomy to claims and talks for more self-determination, although insurgency episodes have occasionally taken place within the region. Plagued by economic stagnation, stunning unemployment, lack of education and job opportunities in Albanian language and brain drain, the region has experienced a heavy depopulation, with many residents looking for better opportunities in Kosovo, Albania or the Former Yugoslav Republic of Macedonia (FYROM).

While the Bosnian dominated Sandžak region wants to remain a part of Serbia, the political interests within the region wary, as some political leaders are advocating for better integration whereas others are demanding more autonomy from Serbia. What's more, against the background of the Arab Spring, a key Bosnian leader advocating for Sandžak's political autonomy has threatened Belgrade that uprisings similar to those in

northern Africa could take place if Belgrade continues with its policies of neglect towards the southern region of the country.

These and other possible examples testify for the fact that the state-building, nation-building and region-building processes in the Western Balkans are far of being over and the businesses have ample leeway of involvement in fostering a sustainable peace environment in the region.

4. Conclusions

In the nowadays complex and interdependent world, there is an increasing need to align incentives for business and peace-building and for firms to integrate peace-building into their core business operations. Although the international community has frequently underlined the importance of the interface between security and business, the practical implementation of a security approach that bridges the gap between these sectors has been rather poor. The peace economics comprise a more inclusive and robust set of institutional measures than both crisis management and post-conflict reconstruction, spanning from the economic field, to the social, political and cultural fields, and from conflict prevention and mitigation, to reconstruction and sustainable peace programmes implementation. Moreover, it addresses all forms of violence, including direct, structural, cultural, symbolic, and market/drug market violence. Despite international efforts to reconcile security with business and trade and a few success-stories, the peace-business nexus has failed to go beyond the rhetorical level. Via a peace economics approach, the Western Balkans offer to the international community the chance to integrate business with crisis management, conflict prevention and post-conflict peace-building into a coherent and successful development and peace-fostering strategy.

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