

## **ECONOMIC DIMENSIONS OF PEACE AGREEMENTS**

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### **Summary**

The proliferation of peace agreements in the 1990s may signal an acknowledgment by many world leaders of the value of seeking alternatives to violent conflict. Peace agreements involve not only the termination of armed conflict but also the implementation of broader peace processes that include the reconstruction of the economy and civil society as well as the construction of confidence-building measures and peaceful relations with adversaries.

One major reason for such concerted efforts to conclude peace agreements is the economic benefits that derive from them, notably a reduction in the costs of armed conflict and the financial burden of arms races. Although some economic forces may oppose peace agreements because of opposition from the military-industrial complex and problems created by military demobilization, economic barriers may be overshadowed by the benefits such agreements provide. They may ultimately produce many indirect economic benefits as well, such as increased opportunities in the forms of domestic investment in the civilian sector as well as more international trade, aid and investments.

### **1. Introduction**

#### **1.1. Peace agreements**

The 1990s have seen a proliferation of peace agreements. Narrowly defined, peace agreements signify the termination of armed conflict. An agreement assumes that the parties to a conflict have come to an understanding that military conflict no longer satisfies their goals and that other means have to be established. Often peace treaties signed by heads of state are used to publicly symbolize the ending of war. Yet many scholars take issue with such a restricted interpretation of the term and point to such agreements as part of a peace process that includes confidence-building measures, rebuilding the socio-economic infrastructure and constructing peaceful relations between former combatants.

After war, societies often lack the internal means to restore social and political institutions so may require assistance from outside parties. Peace agreements may simply end open military conflict rather than creating a secure process of peace building and the restoration of public order. However, peace agreements may also provide the foundation for the more general context of peace building, a process that has to incorporate many dimensions including, as Fen Osler Hampson suggests:

- Reconstructing civil society;
- Reintegrating displaced populations;
- Redefining the role of the military;
- Bridging the gap between emergency assistance and development;
- Addressing the needs of particularly vulnerable sectors and groups;
- Establishing the rule of law, “due process”, and respect for human rights; and
- Developing participatory political institutions.

All of these dimensions have to take place within the context of economic reconstruction that is the focus of this particular article. One striking aspect of the phenomenon of peace agreements is the sheer number of them that have been signed worldwide in recent years as illustrated by examples in Table 1.

## **1.2. Overview**

Peace agreements are not isolated phenomena. Just as conflicts have to be understood within a wider context than the immediate conflict parties, peace agreements have to be seen within the context of the international political economy. The following article will examine the economic dimensions of peace agreements: (a) the economic incentives of peace agreements as an alternative to a spiral of increased arms spending; (b) the relationship between peace agreements and aid, trade and investments; (c) economic obstacles to peace agreements (created by the global military-industrial complex and problems with demobilization, conversion and new technologies); and (d) peace agreements within the wider process of peace building.

## **2. Economic Incentives for Peace Agreements**

### **2.1. Cost of armed conflict**

Peace agreements often address several aspects of the political economy of war: (a)

expenditures on armed forces and weapons in the absence of conflict, (b) the costs of actually waging war, and (c) the financial aspects of repairing the damage caused by war. More sophisticated modern weaponry dramatically increased the destructiveness of wars and the cost of preparing for them.

Afghanistan	1993, 1996
Angola	1994
Bangladesh	1997
Bosnia-Herzegovina Dayton Peace Accords	1995
Cambodia Paris Agreements	1991
Chad	1997
Czech Republic/Slovakia	1993
Djibouti	1994
El Salvador	1992
Ethiopia/Eritrea	1993
Guatemala	1987-1996
India/Pakistan	1999
Israel-Jordan	1994
Israel-Palestine	1993
Liberia	1991-1995
Mali	1991
Mexico	1996
Mozambique	1984-1992
New Caledonia	1998
Nicaragua	1994
Niger	1995
Northern Ireland Agreement	1998
Philippines GRP-MNLF Peace Agreement	1996
Rwanda	1993
Sierra Leone	1999
Somalia	1993
South Africa	1991
Sudan	1997
Tajikistan	1997
Western Sahara	1997

Table 1. Recent peace agreements and ceasefires during the 1990s  
(Adapted from <http://www.incore.ulst.ac.uk/cds/agreements/index.html>)

While in pre-industrial societies the waging of war might have been considered a viable option for maximizing resources and increasing territory, many argue that the costs of modern war are not commensurate with possible gains. The effects of the two world wars have shown that contemporary weapons bring with them a greater reluctance to risk the costs of a possible nuclear confrontation.

The maintenance of large military structures has substantial costs even without war, a phenomenon Victor Sidel calls “destruction without detonation.” The social costs of an

arms race as the loss of trust in the culture, the promotion of a fear psychology among the populace, a distortion of perception regarding potential enemies and a regime of secrecy have manifold economic costs. Seymour Melman contends that the Pentagon, with an annual budget larger than the economic production of entire nations, has itself become something of a para-state. The costs of major military campaigns are staggering; he estimates that the total cost of the Vietnam conflict, for example, went far beyond \$150 billion in direct outlays. If one includes war-related debt, foregone production, veterans’ benefits, etc., it may have reached \$676 billion. Some of the costs are, however, more direct. They emerge not only in terms of the classic “guns vs. butter” tradeoff in which spending for social programs is diverted to the military, but also in terms of the allocation of resources for military rather than civilian economic development.

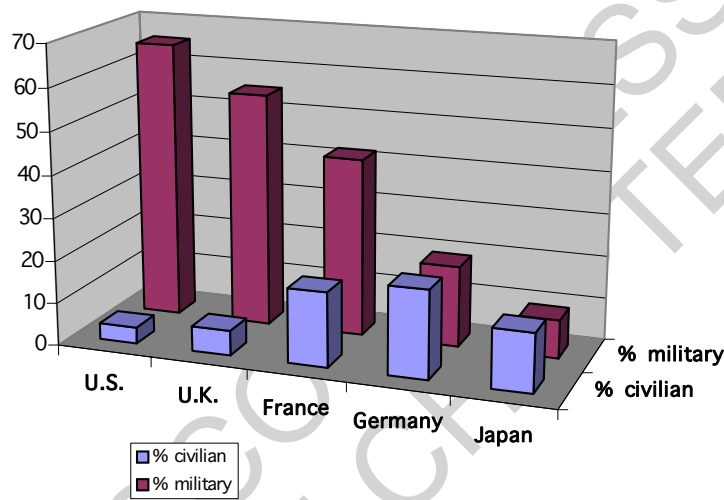


Table 2. Proportion of military versus civilian R&D expenditures

War generally brings the destruction of human life, the loss of territory and vital resources, and the destruction of the environment even without weapons of mass destruction. The UN Food and Agricultural Organization and the World Food Program estimate that war and its aftermath pose a greater threat to food security than drought and other weather conditions. The immediate economic effects of conflict are the loss of productive forces through the loss of human capital (casualties and displaced populations) and material wealth, the destruction of factories and manufacturing plants and the disappearance of economic structures that facilitate the normal running of a healthy economy. Economic upheaval can lead to changes in institutions with adverse effects on trade; conflict can create uncertainty in markets, and reduce international trade and investment.

Peace agreements have to stop the immediate taking of lives but also lay the foundations for rebuilding civic infrastructure, create political and economic institutions, and restore public order. The economic dimensions examined below serve as indicators of incentives for peace agreements.

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### **Biographical Sketches**

**Jeannie Grussendorf** received her Ph.D. in Peace Studies from the University of Bradford, UK in 1998. Her research focuses on both international relations and conflict resolution theories in assessing peacemaking possibilities in the post-Cold War world. She is currently project director for the "Students for Peace" research project into moral disengagement at the University of Texas Health Science Center at Houston, School of Public Health.

**Lester Kurtz** is Professor of Sociology at the University of Texas at Austin where he teaches peace and conflict studies, comparative sociology of religion, and both western and nonwestern social theory. He was previously director of Religious Studies at Texas and holds a Master's in Religion from Yale Divinity School and a Ph.D. in Sociology from the University of Chicago. He is the editor of a 3-volume *Encyclopedia of Violence, Peace and Conflict* (Academic Press), co-editor of *Nonviolent Social Movements* (Blackwell's), and *The Web of Violence* (U. of Illinois Press) as well as author of books and articles including *Gods in the Global Village* (Pine Forge/Sage), *The Politics of Heresy* (U. of California Press), and *The Nuclear Cage* (Prentice-Hall). He is currently working on a book on Gandhi's legacies and is working on a documentary film, "Peaceful Warriors," with James Otis, narrated by Martin Sheen. He has lectured in Europe, Asia, Africa, and North America and is the past chair of the Peace Studies Association as well as the Peace and War Section of the American Sociological Association.