

IDENTIFIED ECONOMIC PROBLEMS OF DEVELOPING PEACEKEEPING HOST COUNTRIES

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Abstract

The aim of the paper is to analyse the main economic problems of the states where peacekeeping operations have taken place. The priority for such states is the establishment of peace and democracy so that economic growth can be restarted and lead better to the people of the economy. This paper will be based on the development of the main economic variables and the other data of the economies of Mali, Sierra Leone and Afghanistan and will highlight short and long-term obstacles to raising the living standard and wellbeing of their citizens. The choice of states is conditioned by the possibilities of assessing the impact of military deployments and the availability of statistical data. The authors choose an adequate time period to explore this issue. The effects of military deployments are determined by economic, political, strategic, social, institutional and legal conditions. In this paper the authors assume positive impact of military deployments on these three countries.

Key words: military deployment, economic problems, peacekeeping host country

JEL Code: B22, F52

Introduction

The important issue of economic development and situation in low-developed countries with the support of military deployments will be addressed in this text. The selected countries are Mali, Sierra Leone and Afghanistan. These states have been accompanied by several armed conflicts and violent putsches that directly or indirectly led to the destabilization of the country and economic downturns. Many people may ask how the UN and NATO deployments help the host countries and their economies.

Many papers gauge peacekeeping effectiveness by the UN or nonUN deployment's ability to maintain the peace or to protect lives for a set time period (Sandler, T., 2017 or Nascimento, D., 2018). That is the theory and then there are authors that deal with the economic development in the low developed countries that is the empirical research (i.e. Nowak, W., 2017, Konarovsky, M., 2017 or Nowak, W., 2017).

This paper will be also empirical and will focus on economic developments in three states affected by military conflicts.

1 The History of Armed Conflicts in Selected States

This chapter will describe concisely the history of the countries that are being analysed in this work during approx. last 100 years. More important milestones and events that have had a major impact on occurrences in these locations will be discussed. The influence mentioned here is on the population and economy of a given state where the impact of events such as civil wars, the overthrow of government, etc. on inflation, the purchasing power parity, and the economy's performance can be observed.

1.1 The History of Armed Conflicts in Mali

Mali became part of French West Africa and its independence was acquired in 1960. The turbulent economic situation in the 1980s caused the emergence of a number of agricultural societies that meant first signs of the beginning of population. Inspirational events in the Soviet bloc countries, followed by a number of political changes in Africa, brought emphasis to democratization demands in Mali. In 1968 the state putsch was undertaken and new first government tried to resolve the conflicts under mutually beneficial conditions. In 2012 there was a military putsch. In Mali Peacekeeping and Training Mission has been carried out by the United Nations (UN) units. This mission is still ongoing, involving more than 1,200 UN soldiers, and the Mali's Army counts around 7,300 members in training. Units of the European Union (EU) Mission are sent to Mali on the basis of a request by the Malian Government. The establishment of the mission was decided on the basis of UN Security Council Resolution 2071 of 2012 and the request of the Mali's Government. The resolution calls on all UN member states, regional and international organizations, including the African Union and the European Union, to provide assistance to the Mali's Government and Mali's Armed Forces in the form of training and material equipment.

1.2 The History of Armed Conflicts in Sierra Leone

Sierra Leone was one of the first countries where Europeans came in West Africa. After World War II, Sierra Leone followed other British colonies and in 1961 the state gained independence and status as a member of the British Commonwealth. However, during the first years of independence, political instability and violent overthrow took place when the founder of an independent state died in 1964. Briefly, the riots and putsches had been dragging on with time and continued for decades. The United Kingdom (UK) sent its troops to evacuate people under UK consular protection. Only the second agreement in May 2001 calmed down

the situation (the first in 2000). The UN units have been deployed since 1998 (UNOMSIL, UNAMSIL, UNIOSIL) and their prime task was to oversee the implementation of the peace agreement signed between the insurgents and the government. UN peacekeeping forces have replaced the previous West African intervention corps led by Nigeria, ECOMOG, helped the Sierra Leone government in a bloody civil war with rebels lasting eight years. One of the key tasks of the soldiers was to oversee the disarmament of approximately 45,000 warriors, according to peace agreements, including their culmination in the form of elections in 2001. About eleven thousand peacekeepers should had been operating in this country, but this goal has not yet been filled.

1.3 The History of Armed Conflicts in Afghanistan

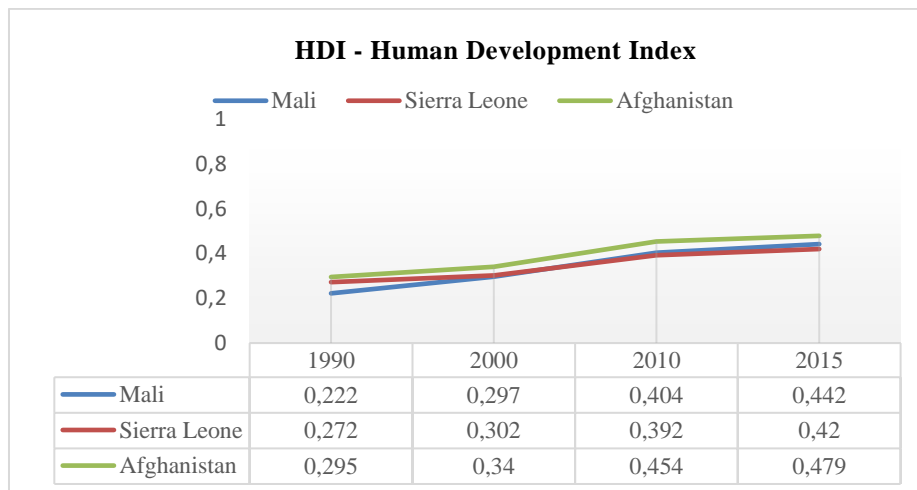
Like in the previous countries, Afghanistan has been troubled by complicated history. It is necessary to highlight the formation of Taliban in 1994 and after a sequence of events the invasion of the United States and other NATO countries at the end of 2001 when the Taliban's government was overthrown. The Taliban lost all power, its structure was scattered. The head of the country became Karzai, who had very strong ties to the king, but also good relations with the West, defended his post at the end of 2004 in the presidential election. But stabilization of Afghanistan has failed, the recovery of Afghanistan did not go well, most of the foreign aid was stolen. The Americans continued to strike al-Qaeda's top, but their priority was at that time the Iraq war. This was used by the Taliban strengthening its position. At the end of 2009, the Taliban and its allies were already operating on 90% of the country's territory, and military offenses could not permanently suppress its influence on re-established territories. The situation in the country was also complicated by the political crisis that intensified in the second half of 2009 when the presidential election took place. Karzai defended his post, but the election was accompanied by gigantic scams and Karzai also blocked the second round. At the beginning of 2010, he had failed to form a government for a long time. Over the years, the armed forces have been slowly leaving Afghanistan. All this took place in the period 2012 - 2015. Peacekeeping operations are also being carried out here, as well as training of the Afghan Army.

2 Common Economic Problems in Peacekeeping Host Countries

First step in the second capture is to analyse briefly economies in 3 selected countries. All three countries surveyed have showed a very similar economic development since 1990 and in 2015 they are very close to the same value of the Human Development Index (HDI) as can be

seen in Figure 1.¹ The HDI development is very gradual and far below the world average, according to the World Bank (world average of 0.710 in 2015).

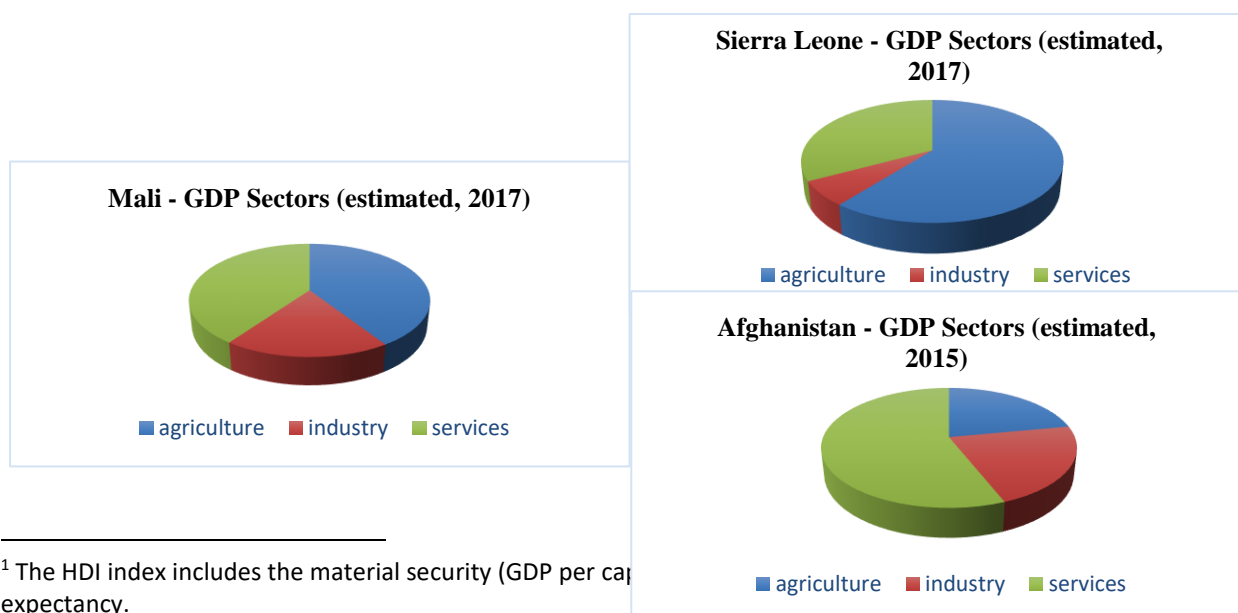
Fig. 1: Comparison of the Human Development Indexes in Mali, Sierra Leone and Afghanistan



Source: The World Bank (data), authors' processing.

Figure 2 illustrates the different shares of the basic sectors of the economy (agriculture, industry and services). The state of Sierra Leone has the highest proportion in agriculture, the economy shows a low share of industry and the service sector is the least developed, we can call it the weakest economy. If we use the service development criterion, Afghanistan would rank first in this comparison, which also corresponds to the Human Development Index of 2015.

Fig. 2: GDP Sectors in Mali, Sierra Leone and Afghanistan

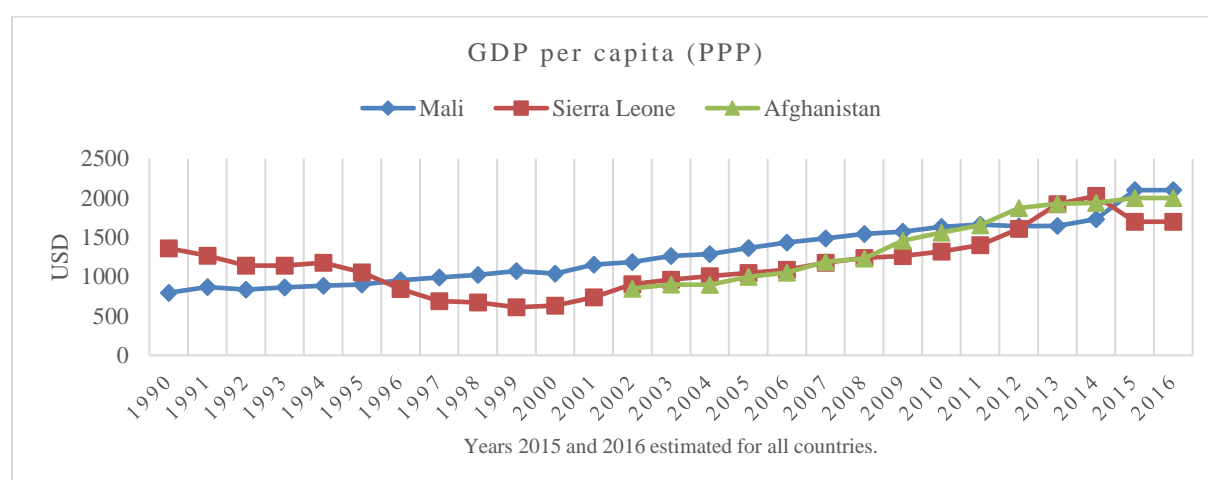


¹ The HDI index includes the material security (GDP per capita) and life expectancy.

Source: CIA Factbook (data), authors' processing.

In Figure 2, the development of GDP per capita in Mali shows a significant improvement after 2013, when the UN peacekeeping deployment (still active) began. In 2016, according to the World Bank, Mali reached 76.5% of the average world-wide living standard (that is USD 10 191.3 per capita). However, according to the International Monetary Fund (IMF), the world average living standard counts USD 16,049 in 2016, and that means only 14.3% of the world's level with an estimate of USD 2,300 per capita in 2016. The last reported Gini index (the World Bank) measuring the income inequity reached 33% in 2009, reducing its value in time (in 1994 it was 50.4%). Mali belongs among the poorest countries in Africa, people can roughly use only 3% of the area to grow cotton and have farm fields. In 2017 agriculture counted 40.9% of the total output of the economy.

Fig. 3: Comparison of GDP per capita in Mali, Sierra Leone and Afghanistan



Source: CIA Factbook (data), authors' processing.

The inflation rate is a very volatile macroeconomic variable in Mali. At dawn of the 1990s, it reached negative values to -6.24% in 1992 (the reason was a military coup in March 1991). Other deflationary years are 2003, 2004 and 2013, when there was the fall in the real product. The highest inflation was recorded in 1994, it was 23.18%. The reported unemployment rate has showed stabilized level of 8% since 2014. Development of foreign trade, particularly the country's trade balance with the world, has been showing a deepening negative trade balance since 2003, resulting in a reduction in the currency reserves and the depreciation of the Mali's

currency.² We can assume a rise in import values but also a moderate increase in exports during the stabilization of the country over the coming years.

Sierra Leone is low-developed state and its economic growth is predominantly driven by mining (quantitative eco-growth). UN peacekeeping missions here should mitigate internal political conflicts that obstruct positive changes in the development of macroeconomic variables. The development of the standard of living of the population has improved since 1999, the trend has been increasing since 2000, and the decline was only after 2014, when unfortunately devastating Ebola (Ebola virus disease) began to spread. According to the World Bank, the living standard of the Sierra Leone population is 49.6% of the world average in 2016 (that is USD 10 191.3). However, according to the IMF, only 10.6% of the world average in 2016 (the world average of 16 049 USD). It should be noted that GDP per capita declined twice from \$ 1361 in 1990 to \$ 611.1 in 1999. The Gini Index (the World Bank) showed a decreasing trend and the latest reported value is 34% in 2011 (in 2003 it was 40.2%). The development of real production in Sierra Leone looks like a roller coaster. In the 1990s, there were declines and, therefore, negative results, improvement occurred in 2000 (one year after the start of the UN observer mission), that it jumped to 26% in 2002, then averaging around 5%, excluding 2012 and 2013, when the growth accelerated to 15 and 20%, but then falls to -20% in 2015, followed by 6% in 2016. Sierra Leone suffered from very high rate of inflation (102.7% in 1991) following with a downward trend in time towards a negative value of -36% in 2008 when the global recession started. Since 2010, inflation rate has been showed stabilized 7-8% in 2014 and 2015. These significant changes in inflation rates can be explained by the mining diamonds and other metals and the global recession. According to the World Bank, the unemployment rate does not differ significantly from 6 to 7% within the available data between 2005 and 2016. The economy of Sierra Leone has considerable mineral wealth with the potential for quantitative economic growth. However, economy plagued by the 1991-2002 civil war and the purchase of weapons for rebel groups, mainly from minerals (mainly from the sale of diamonds that had been declared embargoed during 2000-2003), could not develop. In balance of payments mainly inflows and inflows of foreign capital show up. Foreign investors own most of the industry. Agriculture accounts for 60.7% of gross domestic product. According to available data, the negative balance of the Sierra Leone's trade balance is evident, with the assumption of a negative capital account. Net exports represent relatively high rate of GDP (7% in 2007).

² UN Comtrade Database. Data, <https://comtrade.un.org/>.

As well as in previous states, the economy of Afghanistan had been paralyzed by military and political instability. Afghanistan is a poor country, its inhabitants suffer from a lack of food, clothing, housing, medical care and other problems. The start of the US military operation is linked to 2001. Faster growth occurred during 2008-2012, then stagnation. An undesirable downward trend has emerged since 2012. According to the World Bank, living standards account for 55.1% of the world average in 2016, and according to the IMF, only 12.5% of the world average in 2016 with an estimated product of \$ 2,000 per capita. According to surveys in the local economy, unemployment was found to be over 40% in 2015 and the rate of inflation is also considered a serious problem. The inflation rate was fluctuating (30.5% in 2008, followed by a fall to -8.2% in the following year). These fluctuations can be expected in the years to come, and a local economic survey is more important. The government of Afghanistan can see improvements in macroeconomic indicators when mining that could divert attention from opium production. However, there is a lack of needed infrastructure in the country. Development of trade balance during 2008-2016 showed the negative values. The balance is long-term negative, reflecting a decline in the country's foreign exchange reserves and a weakening of the Afghan currency.³

There are many reasons why the quality of life of the people of these states is not approaching at the desired pace, at least towards the world average. The basic prerequisite for the functioning of the economy is the establishment of the peace and freedom of the people of the state in which we see the importance of peace operations. Another very important indicator will be the stable government in these areas. According to the latest UN' information, Afghanistan has been stable for some time, but not in Mali and Sierra Leone, where there are still difficulties with government stability.

What is not clear is the transparency of the elections, that means, whether the local government has been legitimately elected or not. Because there are groups fighting hard against the local governments, it can be imagined that the elections were not as democratic as we would expect. Corruption is another serious problem, and as long as the police are not set up and trained as an element of state protection and protection of the population, it will not be possible to punish and prove it. According to the Transparency International, the worst situation is in Afghanistan where the Corruption Perceptions Index in public administration reached only 15 points out of 100 in 2017, meaning 177th out of 180 countries. In April 2017, the organization issued recommendations to strengthen and reform its anti-corruption

³ UN Comtrade Database. Data, 2018, <https://comtrade.un.org/>.

agencies. The state of Mali has scored 31 points with a 122th position and Sierra Leone 30 points and thus 130th out of 180 countries again in 2017.

The legal framework exists in these countries, where there is USIP in Afghanistan or state law in Mali and Sierra Leone. But respect and enforceability is the second. The right here is not as perfect as it is a standard in the EU, but it is on the right track. This is why we see the need for UN missions, especially training peacekeeping missions, when it is necessary to train the police and the military. This, however, is due to the experience of our and other members of the armed forces mainly due to the mentality of local people.

The banking system is another issue depicting this definition: “Without banks, people cannot borrow money, they cannot invest without the money borrowed (machines, production halls), without investments they will not produce and pay no interest, hire labour and capital, pay taxes, and support the country’s economic growth.” In Africa, the Bank of Africa is currently expanding and is now in Mali and several surrounding African states. But they also have a central bank and some six banks similar to the French one. In Sierra Leone, the situation is similar, only the number of banks is lower, but they are represented here. In Afghanistan, the situation is similar, banks are present, although only in the main areas.

The habits of the population are another problematic part for anyone who would try to help these countries with economic growth. Most of the population are not willing to work or very little. This is particularly true of the African continent, of course there are exceptions, especially in cases that are bordering on slave work in diamond or coal mines. Due to high fluctuations in inflation, it is rare to find barter in the area of the village, as a type of business known at a time when the money itself was not expanded.

One of the quantitative sources of economic growth is land. The soil in these countries is barren, for the most part, the example is Mali, where only 3% of the land is fertile and farmable. In Afghanistan, this situation is similar, and most of the fields are poppy-seeded, from which opium drugs are produced. It is best for Sierra Leone to be able to feed itself on fertile soil, but it is not so thanks to the backward industry. Mineral wealth in these countries is estimated in large numbers and could help local economies. The problem, however, is again in the infrastructure and inaccessibility of these bearings.

Quality of labour is dependent on education. Education in these countries is at a low level, and may be partly Muslim, since they prohibit education for women. However, even men are not much educated. Primary education is almost the same, most of those who have been living abroad or remain there or return to their illegal activities or bribes. The age that people live on is also not particularly high.

There is also a big environmental problem. Deserts, hygienic conditions, diseases that we have for eradication and hunger are a huge problem in these areas. There is also a lack of drinking water without which a person in the hot days can hardly survive 24 hours.

Finally, the capital closes the circle of economic growth. In the private sector, it is not found in these countries, and thanks to increased imports to countries, but a reduction in exports, it is very difficult for local entrepreneurs. Much more developed here is the public sector, such as airports, roads, public transport, water purifiers, etc. However, the countryside of these countries falls into a stone age where electricity, roads and water purification does not exist. Here again, we can observe the UN's efforts to build schools, wastewater treatment plants, irrigation canals, and telecommunications.

Conclusion

In conclusion, it can be concluded how difficult it is for these countries to start and keep economic growth and get out of the vicious circle of poverty. As can be seen from the figures, UN and NATO deployments have and still have had (if they still exist) positive impact on GDP in the countries explored and thus on the economies of these states. Although there are sometimes large fluctuations caused by military or political coups, GDP has managed to get higher. Inflation during missions has also declined sometimes even through the imperfect economy and the negative. The unemployment rate also declined due to the jobs created mainly by the soldiers. After the beginning of deployments, imports had been obviously growing, exports had been growing slightly slower, but net exports were rapidly declining. Taxes and their choices turned out to be complicated and non-transparent. Tax collection in some parts is even unthinkable for the local population (nomadic tribes, farmers in remote areas). This issue is related to the problem of education and migration. As noted, young people are less educated and if they are already educated, they try to leave the country. Another serious problem of economic growth is the small amount of agricultural land. Given the facts and data, countries show that they are hardly able to support their own populations. The facts confirm the definition of a vicious circle of poverty, when countries need to expand banking, infrastructure or education.

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