

# **Transitional Justice and the Prospect of Economic Development Project**

Midway Evaluation

01.09.2021

Dilan Gunes

Department of Sociology and Political Science,

Norwegian University of Science and Technology

dilan.gunes@ntnu.no

## Table of Contents

1. Research Question(s) and Themes of the Dissertation.....	2
2. Paper Summaries .....	4
Paper 1. Does Transitional Justice Improve Economic Development? Different Transitional Justice Mechanisms and Their Relationship with Economic Development .....	4
Paper 2. Implementation of Transitional Justice Does Not Attract Foreign Direct Investment to Post-Conflict Countries .....	7
Paper 3. The Relationship Between Transitional Justice and Corruption: A Cross-National Analysis .....	9
Paper 4. Foreign Investors' Perspective on Transitional Justice: The Investors in Norway and Russia .....	11
Paper 5. The Relationship Between Transitional Justice and Economic Development Through Capability Approach.....	11
3. Brief Summary of the Progress .....	12

## **1. Research Question(s) and Themes of the Dissertation**

The research question of this research project is to examine whether and how the implementation of transitional justice (TJ) mechanisms in post-conflict and post-authoritarian countries (transitional countries) have an impact on the economic development (ED). The purpose of the project is to analyze the under-researched economic dimension of TJ and to assess the influence of TJ measures on different parts of ED. The relationship between TJ and ED has not been studied thoroughly because of the limited definitions of the concepts. Failing to define ED and TJ may lead to unclarity in identifying the relationship between them. There are different definitions and assumptions for each phenomenon. Therefore, in this study the definition of ED is not limited to GNP or per capita income but also involves elements of equity, distribution of resources in other words poverty, growth, and legitimate, inclusive, and trustworthy institutions. The definition of TJ is “the full range of processes and mechanisms associated with a society’s attempt to come to terms with a legacy of large-scale past abuses” (UN, 2010). Even though, this most popular definition of TJ does not include economic and social rights, since it refers to abuses but not to laws, one can suggest that the definitions allow to consider past economic and social rights violations (Schmid & Nolan, 2014, p.381). Therefore, in this study TJ is not only limited to political and civil rights violations, but also, economic, and social rights violations.

Since it is a challenge to trace the macroeconomic effect of TJ mechanisms, in this project, I use a broader concept of economic development which merges economic and humanitarian indicators (Sen, 1999; Forsythe, 1989; Pollis, 1989; Donnelly, 1989; Howard-Hassman, 2005). The literature on human rights (HR) and development usually conceptualizes ED more broadly than economic growth, where it also includes both socioeconomic and political factors. In Paper 1, economic development includes economic growth, inequality, and poverty. To define ED and to conceptualize it, I borrow from the fields of human rights and conflict recurrence. In Paper 1 the research question is “Does TJ mechanisms such as trials, truth commissions (TCs), and reparations, have an impact on economic development in post-conflict countries?”. Paper 5, the conceptual paper, also argues that ED has different humanitarian dimensions. However, I try to explain and analyze the potential relationship between TJ and ED with Capability Approach. Sen (1999)’s ‘Capability approach’ (CA) is a people-centric development model where expanding people’s choices is the core, and it is a comprehensive alternative to recognized development models. Building on Sen’s and then Nussbaum’s definition of ED, I will explore the relationship around the concept of well-being which has economic, governance, social, health and cultural domains.

Overall relationship between the TJ mechanisms and the economy of the transitional countries leads me to work on other concepts that has strong impact on ED such as foreign direct investment (FDI) and corruption. FDI may enhance enterprise development, trigger technology overflow, contribute to international trade, assist human capital, and create a competitive business environment (OECD, 2002). In return, these may “contribute to higher economic growth, which is the most potent tool for alleviating poverty” and improve economic

development in developing countries (OECD, 2002, p. 5). However, studies also have shown that FDI inflows increase if the state has larger economy, higher growth rates and better economic development (Appel & Loyle, 2012). Since FDI is a closely related concept with ED, to understand the relationship between TJ and FDI, in Paper 2, I ask the question of “Do post-conflict countries attract more FDI if they implement TJ and does this depend on the ED levels of the country?”. Paper 4 is going to be a closely related qualitative paper to Paper 2, where with my co-author we are going to focus on the foreign investors’ side of the story. We argue that TJ might have an impact on the decisions of investors and may trigger FDI. Therefore, we are asking questions like “How foreign investors decide to invest in post-conflict countries?”, “Does their decision-making repertoire include respect for human rights or implementation of TJ?”, and “Do investors prefer a country with TJ mechanism over a country without it?”.

Combating corruption is important for sustainable development goals, especially in war-torn or post-authoritarian countries. In economic terms, corruption hinders investment, with subsequent effects on growth and employment (World Bank 2020). Buehn and Schneider (2012) observed that high levels of corruption result in lower levels of economic development (measured as GDP per capita). Corruption negatively affects ED not only in terms of economic growth and economic efficiency, but also, damages equal distribution of resources among the population which leads to higher income inequalities; weakens the effectiveness of social welfare, decreasing the levels of human development (Chene 2014). Therefore, it is important to explore the relationship between TJ and corruption. For this reason, in Paper 3 with my co-author we ask “Does the existence of TJ procedures decrease country-level corruption and the perception that individuals have of corruption?”.

## 2. Paper Summaries

### **Paper 1. Does Transitional Justice Improve Economic Development? Different Transitional Justice Mechanisms and Their Relationship with Economic Development**

*(Editing Stage-Quantitative Paper)*

In this paper, my aim is to explore the potential relationship between transitional justice (TJ) and economic development (ED). These two phenomena share common goals when it comes to recognizing citizens' well-being in post-conflict countries. However, TJ studies do not focus on the impact of TJ on the economy, but instead they focus on social and economic rights. Likewise, the field of economics does not pay strong attention to study TJ (Miller, 2008; Addison, 2009; Hecht & Michalowski, 2012; Duthie, 2017). As Addison (2009) implies transitions in post-conflict countries are unlikely to succeed unless its economic dimensions are adequately addressed. Therefore, the link between TJ and ED should be taken into consideration.

With a modest and exploratory approach, I ask “Does TJ mechanisms such as trials, truth commissions (TCs), and reparations, have an impact on economic development in post-conflict countries?”. To better answer this research question, I borrow the broader conceptualization of ED from the field of human rights and divide it into three dimensions (growth, horizontal inequality, and poverty). Expanding the definition of economic development is significant to understand how peace and justice efforts can have an impact on the faith of the post-conflict country. Therefore, the main objective of this paper is to empirically assess the potential impact of the implementation of TJ on different dimensions of ED. The main contributions of this paper are: i) analyzing a less studied dimension, economic dimension of TJ, ii) defining the concepts of ED and TJ according to their common literature iii) researching and analyzing a policy relevant research question and iv) contributing the broader literature about post- conflict economic recovery and the nexus between human rights and ED.

Factors like weak economic growth, low per capita income, socioeconomic horizontal inequalities, and existence of valuable natural resources raise the risk of conflict in developing and post conflict countries (BCPR Report, 2008). Therefore, TJ mechanisms may have the aim and the potential to ameliorate growth, inequalities, and poverty. Conflict not only weakens state institutions but also destroys the social cohesion and trust. Lack of trust increases the chances of criminal behavior, as well as deepens religious and ethnic hatred (UNDP, 2005) and therefore horizontal inequalities. Scholars emphasize that TJ serves a function in economic and social development by restoring the trust between the people and the government which is a requirement for development (De Greiff, 2013; Sancho, 2014). TJ contributes relatively more directly to economic development by making more legitimate, inclusive, and trustworthy institutions (ICTJ Report, 2019).

Literature shows the existence of a relationship between ED and TJ. The argument on which causes which or whether one can promote the other is still an ongoing debate. Based on this

debate, this study explores the potential relationship and whether and how TJ impacts ED. Therefore, the main hypothesis of this paper is:

*Hypothesis 1:* The implementation of transitional justice (TJ) mechanisms has a positive impact on economic development.

Weak economic growth in post conflict countries increases the risk of the recurrence of an armed conflict (Collier et al., 2006). However, early attention to economic growth may increase the possibility of full prevention of conflict recurrence (USAID, 2009). Economic growth reduces risk of conflict recurrence by stimulating job creation, which makes conflict less attractive to rebels and reduces grievances (BCPR Report, 2008). Also, reestablishing economic governance, restoration of governments' legitimacy, boosting employment, improving well-being, addressing the root causes of conflict, and stabilizing the economy are the aims of economic growth programs in post conflict countries (USAID, 2009). Consequently, the hypothesis for growth dimension of ED is:

*Hypothesis 1a:* The implementation of TJ mechanisms improves economic growth.

One of the other major causes of conflicts is socioeconomic horizontal inequalities, which provoke conflict along ethnic, religious or regional lines (Stewart 2000; Stewart, 2002). Østby (2006) found that severe economic and social horizontal inequalities increase the probability of conflict onset. ICTJ report (2018) suggests that by increasing trust in society and government, decreasing the usage of mass violence as a political tool, identifying exclusion and discrimination, overcoming injustice, and reducing grievances, TJ can function as a direct or indirect policy for prevention. De Greiff (2009) suggests that TJ mechanisms make important recommendations regarding judicial systems and enhancing rule of law which is a building block of development. Also, TJ may reduce distrust between individuals and institutions as well as it may restore trust among groups and individuals within society (Kasapas, 2008; ICTJ Report, 2019) which would help to reduce horizontal inequalities. Therefore, the hypothesis for horizontal inequalities dimension of ED is:

*Hypothesis 1b:* Implementation of TJ mechanisms reduce horizontal inequalities.

Existence of abundant natural resources increases the chances of conflict onset. Binningsbø and Rustad (2007) show that valuable resources like diamonds, oil and gold affects the duration and incidence of conflicts. Oil and gas producing countries seem to be the most vulnerable to conflict (BCPR, 2008). The unequal distribution of resources among the population further leads to growing tensions (Goodhand, 2001). According to Moore (2000) there is a close link between poverty and bad governance. States raise revenues through valuable resources or foreign aid and few of them have incentives to provide public goods for the citizens (Goodhand, 2001, p.24). UN's note on approach to TJ (2010) argues that peace overcome conflict if trusted institutions legitimately address issues like unequal distribution of goods and services, corruption, and discrimination. Consequently, the hypothesis for poverty dimension of ED is:

*Hypothesis 1c:* The implementation of TJ mechanisms reduce poverty.

To examine the impact of TJ on ED, I estimate a series of fixed effects panel data OLS models for all post-conflict countries between 1946-2006. I use the Post Conflict Justice (PCJ) Dataset (Binningsbø, 2011), Varieties of Democracy (V-Dem) Project data (Coppedge et al., 2020), Global Crises Data (Reinhart & Rogoff, 2009), and Peace Agreements Database (UN Peacemaker, 2019). Based on the results, no definitive judgment can be made about the relationship between ED and TJ. Although literature and theory associate these two phenomena, the results do not fully support the literature. Nevertheless, democracy and the rule of law, which are the building blocks of HR and TJ, have a significant impact on the dimensions of economic development in all models. From this point of view, it can be said that, tentatively, the results somehow support the relationship between these two phenomena, but more detailed research is needed.

## **Paper 2. Implementation of Transitional Justice Does Not Attract Foreign Direct Investment to Post-Conflict Countries**

*(Editing Stage-Mixed Methods)*

Foreign direct investment (FDI) is one of the ways that provide funds for post-conflict countries to get back on their feet. Despite political and economic risks, implementation of transitional justice (TJ) is one of the ways post-conflict countries provide incentives to improve the investment climate by respecting human rights (HRs). Based on this, the aim of this paper is to explore the impact of TJ on post-conflict countries' ability to attract FDI. However, previous research indicates that a country's ability to attract FDI may be contingent on existing level of economic development (ED) (OECD, 2002), so that using TJ to increase FDI may not be an option for all countries. Therefore, my research question is "Do post-conflict countries attract more FDI if they implement TJ and does this depend on the ED levels of the country?"

This paper contributes to the literature in three ways. First, my theoretical framework is the first to connect TJ, FDI and ED concepts and present the loop relationship within them. Second, in terms of theory, I present both foreign investors' and host countries' perspectives and touch upon the opportunity cost of implementing TJ in post-conflict countries. Third, this paper presents a more comprehensive approach to TJ by including all types of mechanisms (trials, truth commissions, reparations, amnesties, purges, and exiles) in its methodology.

In this paper, I argue that there is a positive feedback loop relationship between TJ, ED and FDI, and that this should be considered when exploring the impact of TJ on FDI. Some studies suggest that respect for HRs or addressing past abuses through TJ mechanisms conduce countries to attract more FDI (Blanton & Blanton, 2007; Appel & Loyle, 2012; Blume & Voigt, 2007). Relatedly, as the cost of HRs abuse increases and the global investment market becomes more diversified, one may expect the direct influence of respect for HRs on FDI. On the one hand, others show that a certain level of ED is required for attracting more FDI (Büthe & Milner, 2008; Li & Resnick, 2003). On the other hand, past research in the field of economics assert that the increase in FDI improves ED in countries (OECD, 2002). Therefore, indirectly, respect for HRs may have an indirect impact on FDI by promoting economic benefits and development of human capital (Blanton & Blanton, 2007; Jensen N. , 2003; Kucera, 2002; Mankiw, Romer, & Weil, 1992). Furthermore, TJ contributes to ED by making more legitimate, inclusive, and trustworthy institutions (ICTJ Report, 2019) and many scholars advocate those institutions are significant when predicting the level of development of countries (Acemoglu et al., 2005; Hall & Jones, 1999). Therefore, I argue that there is a positive feedback loop relationship between ED, TJ and FDI, with both direct and indirect associations. Therefore, I hypothesize that *post-conflict countries that implement TJ mechanisms attract more FDI* (H1) and *the effect of implementing TJ on the ability to attract FDI is stronger with higher level of ED in post-conflict countries* (H2).

This paper first estimates a series of fixed effects panel data OLS regression models. The time period of the study covers the period between 1970 and 2006. Then, the paper investigates the



effect of the level of ED on the TJ-FDI relationship by stratifying sample by income level. The findings suggest that implementation of TJ does not attract FDI, on the contrary, it decreases the FDI stock and therefore reject the first hypothesis. According to the findings, the level of ED has an impact on the TJ-FDI relationship. The results show that TJ and higher level of ED has a negative impact on FDI stock. On the contrary, TJ in post-conflict countries with lower levels of ED has a stronger impact on attracting FDI. Therefore, the results reject H2 and suggests otherwise.

Additional to the quantitative analysis, I am planning to add a follow-up qualitative analysis where I focus on a specific case country and conduct process tracing. For this purpose, I have chosen the case of Morocco, which is also an influential case according to the Cook's D results. According to the PCJ dataset Morocco has implemented TJ in various years. International Center for Transitional Justice further indicates that Morocco is still in the process of implementing TJ mechanisms. Therefore, arguing that even though there were TJ efforts, still significant work remains to be done. For instance, the reparation programs are still in their initial phase, as well as some disappearance cases remain unsolved (ICTJ, 2021). In addition to its TJ history, I also tried to find some fundamental information about the investment environment in Morocco. I presented two different tables that shows the strengths and the weaknesses of Morocco in attracting FDI. I categorized the strong and weak points under political and economic factors. I have touched upon the political and economic factors that attract FDI in the main document, therefore, I thought that this categorization might come in handy when referring to the theory. Especially, political stability is one of the factors where I can argue that TJ might attract FDI. With economic factors like horizontal inequalities and high poverty I can argue the impact of economic development, since I have argued that these are different dimensions of economic development.

<b>Strengths of Morocco in terms of investment</b>	
<i><b>Political Factors</b></i>	<i><b>Economic Factors</b></i>
Political stability- closely related to TJ efforts encouraged by King Hassan then followed by King Mohammed VI	Strategic location, the distance to Europe and sub-Saharan Africa
Legal framework that is favorable to investors	Low labor cost
	Young and well-trained population
	Strong infrastructure
<b>Weaknesses of Morocco in terms of investment</b>	
<i><b>Political Factors</b></i>	<i><b>Economic Factors</b></i>
Lack of transparency in public procurement	Horizontal inequalities and high poverty rate (Dimensions of ED)
Weak property rights protection	High unemployment rate
Administrative tasks that slow down the process of starting a business	Low productivity
Regional instability (for instance, West Sahara Conflict)	Small internal market

### **Paper 3. The Relationship Between Transitional Justice and Corruption: A Cross-National Analysis**

*(Almost Completed-Quantitative Paper)*

*Co-Authored with Francisca Castro*

Systematic violations of human rights are still a global concern. With countries such as Nepal, Ivory Coast, and Tunisia successfully transitioning to democratic regimes, and others such as Thailand or Libya greatly struggling to achieve liberalization, the examination of which factors help us explain the achievement and maintenance of democracy is highly relevant. In this regard, the presence or absence of TJ procedures play a significant role, not only because they address reparations that occurred in periods of political unrest, but also because they can affect other elements that directly impact democratic development, such as corruption or economic growth. Yet, we know relatively little about how TJ procedures affect perceptions of corruption, and in which way this relationship may affect the quality of democracy and government. If there are no TJ efforts after HRs violations, can this affect perceptions of corruption and, subsequently, the quality of democracy?

Corruption can affect the democratic development in multiple ways. On the one hand, corruption divests societies of resources that could alternatively be used to supply basic goods in education, infrastructure, public health, or security. On the other hand, corruption negatively affects the functioning of state institutions, especially the organs ensuring the rule of law and administration of justice (United Nations 2017), therefore, corruption fosters a culture of distrust towards public institutions (Melgar et al. 2010). With this study, we aim to touch upon the less explored relationship between corruption and its perception among citizens, and the implementation of TJ procedures.

We hypothesize that *TJ procedures that address economic crimes occurred in periods of civic and political unrest, decrease country-levels of corruption (H1) and TJ procedures lower the individuals' perception of corruption in transitional countries by rebuilding the (civic) trust between the society, institutions, and the government (H2)*. The first hypothesized relationship between TJ procedures and corruption is direct, whereas the second one is mediated by governmental trust. With this, we recognize that TJ can engage with civil and political rights, as well as economic and social rights (De Greiff and Duthie 2009), and when TJ ignores corruption and economic crimes, it may cause an impunity gap (Rubén Carranza 2008). We also take on a more detailed approach to the relationship between TJ procedures and corruption. Since there are many types of TJ procedures that may have different levels of effectiveness when combating corruption, resulting in different consequences regarding the country-level and perceived corruption. Therefore we hypothesize that *truth commissions have an impact on perceptions of corruption, by reducing distrust between individuals and institutions (H3a), trials decrease individual perceptions of corruption by closing the impunity gap (H3b), vetting and lustration have the strongest impact on perception of corruption (H3c), and amnesties*

*increase the perception of corruption in transitional countries, since they negatively impact the (civic) trust between the society, institutions, and the government (H3d).*

To test whether TJ procedures have an impact on the level of contextual and perceived corruption, we constructed and analyzed a comprehensive dataset that includes both post-conflict countries from the PCJ Dataset (Binningsbø et al. 2012) and democratic transitions from the Transitional Justice Research Collaborative (Dancy et al. 2019), along with their TJ procedures or the absence of them, from years 1946 to 2019. Additionally, we use contextual data on corruption from Transparency International, and individual perceptions from public opinion surveys on corruption and governmental trust. We estimate panel linear models with fixed effects, and difference-in-differences using the time-series cross-sectional structure of the data.

#### **Paper 4. Foreign Investors' Perspective on Transitional Justice: The Investors in Norway and Russia**

*(Co-Authored-Qualitative Paper)*

This paper will be a closely related qualitative paper to Paper 2. The objective of this paper is to look at the impact of implementing TJ mechanisms to a post-conflict country in attracting FDI from an investor's perspective. How foreign investors decide to invest in post-conflict countries? Does their decision-making repertoire include respect for human rights or implementation of TJ? Do investors prefer a country with TJ mechanism over a country without it? These questions will be our starting point. We are planning to conduct elite interviews with international investors in Norway and possibly in Russia or conduct qualitative experimental research to capture the investors' side of the story.

#### **Paper 5. The Relationship Between Transitional Justice and Economic Development Through Capability Approach**

*(Conceptual Paper)*

This paper will be a theoretical paper since I think there is a need for a theoretical debate on the connections between the concepts of transitional justice and economic development. What makes this paper different than the already existing literature is that this paper will present the relationship between these two phenomena with Capability Approach (Sen, 1999; Nussbaum, 2011). This paper argues that TJ and economic development are interrelated, and this relation could be presented better by using a more people-centric development approach.

### **3. Brief Summary of the Progress**

The intention in this project is to complete five articles on related topics as outlined above. In the first half of the doctoral period, I have (almost) written three papers and completed two of the compulsory courses.

#### First article (Completed/ Editing Stage):

- Presented to the VIP group (10.03.2021)
- Presented at ISA Convention 2021 (07.04.2021)
- Presented at Publication Support Series Workshop 1 (23.04.2021)

#### Second article (Completed/Editing Stage):

- Presented at 2<sup>nd</sup> Spring Symposium of Research School on Peace and Conflict (02.06.2021)
- Presented at the Kakelunsj ISS (03.06.2021)
- Will be presented as a part of the Midway Evaluation (01.09.2021)
- Will be presented at Workshop on Conflict Dynamics 2021, University of Oxford (20.09.2021)

#### Third article (Almost Completed/ Analysis Stage):

- Co-authored with Francisca Castro from Humboldt Universität zu Berlin
- Planning to submit the proposal to 5<sup>th</sup> International Conference on The Political Economy of Democracy and Dictatorship (PEDD)

#### Courses:

- SOS8535 Advanced Social Statistics (Completed)
- SFEL8000 Philosophy of Science (Completed)
- POL8503 International Political Economy (Fall Semester 2021)

#### Other:

- Attended 1<sup>st</sup> Symposium at Research School on Peace and Conflict (13.10-24.11.2020)
- Theory Development Presentation, organized by Jonathan Moses (27.04.2021)
- Completed Taylor & Francis Author Workshop (01.06.2021)
- Granted a place in Publication Support Series for Female PhD Students. The organizer is Prof. Sabine Carey from the University of Mannheim, and the series consist of three workshops. At the end of the series each participant should have an article ready for submission to a peer-reviewed journal. I am working on my first paper for this workshop series. (January 2022)
- Granted funding by the Faculty for research stay abroad. The research stay will be at GIGA, Hamburg (Spring 2022)