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THE BELT AND ROAD INITIATIVE: FACILITATING INTERNATIONAL TRADE AND DEPENDENCE ON CHINA

Lou Lauren Manalo

Introduction

In an increasingly globalized and capitalist world, attaining economic superiority has become synonymous to power. Economic diplomacy—the strategy in building international relations and gaining leverage in negotiations for one’s economic prosperity—has thus become quite essential in determining one’s power or influence throughout the world.

In recent years, China has employed a rather effective action of economic diplomacy in its foreign policy: the ‘One Belt, One Road’ initiative or the Belt and Road Initiative (BRI). Through this policy, China has made itself an important partner for many developing countries to depend on. It significantly increased Chinese trade with the world and established China as an emerging superpower comparable to the United States. This increase in trade relations across the globe has certainly brought economic prosperity to China, however data cannot attribute the same level of economic success to China’s trade partners.

China’s economy

China has gone a long way since the 1970s. In 1977, China was only the world’s 30th largest exporter (Lardy, 1994). It barely participated in world capital markets, as it did not invest abroad, receive foreign aid or direct investment, or borrow from international financial organizations. Only in the early 1990s did China reform its economy by opening its market to foreign aid and loans. By 1992, China became the tenth largest exporter in the world with a total trade turnover of more than 165 billion U.S. dollars (Lardy, 1994). This progress continues, as China works toward being a global economic leader.

Shifting from a centrally planned economy to a more market-based economy that centers on economic liberalization, China was able to transform itself into a major player in the world economy. Data from the World Trade Organization records China as being the top exporter in

2018 with a total of 12.8% share of global exports (Desjardins, 2019). With a population of over 1.4 billion people, China has now become the world's second largest economy.

China's economic diplomacy action: 'One Belt, One Road' Initiative (BRI)

What remains essential to Chinese economic growth is the strength of China's strategic instrument of economic diplomacy, which allures many countries to enter relations with it. This aid diplomacy employed by China is called the 'One Belt, One Road' initiative or the Belt and Road Initiative (BRI); this consists of a trillion U.S. dollar budget to grant aid or provide loans for developing economies' infrastructure projects. With this initiative, China aims to build physical and diplomatic connections in order to facilitate trade with the world and establish itself as the world's next superpower.

This program started in 2013 when Chinese President Xi Jinping proposed the Silk Road Economic Belt and the 21st Century Maritime Silk Road. The former refers to the Ancient Silk Road, which was the network of trade that spread goods, ideas, and cultures across Europe, the Middle East, and China from 200 B.C. The latter, on the other hand, is the vision of the belt and road initiative. It attempts to build on the Ancient Silk Road further, in order to incorporate the whole world in trade relations with China through construction of new routes to serve as gateways for Chinese trade. Building upon these two concepts with the aim to give China better access to the world, the BRI has made China invest in many infrastructure projects—including railroads, seaports, airports, oil refineries, industrial parks, power plants, mines and fiber optics (Ellis, 2018). In 2018, this economic policy has already started to affect three continents, more than 60 countries, and over 60% of the world population (Ellis, 2018). Many infrastructure projects worldwide can now be attributed to Chinese funds.

In fact, China has become a major financier of infrastructure projects in the developing world. Due to the World Bank's strict standards of environmental and social safeguards in infrastructure projects, the process of applying for infrastructure loans at multilateral development banks (MDB) can be rather time-consuming and expensive. Instead, borrowing from China – which has far fewer conditions – is less bureaucratic, more flexible, and more appealing to many nations (Ellis, 2018). While MDB funding accounts for less than 1% of total infrastructure spending in developing countries in 2013, China's infrastructure lending in developing countries has moderated to about 40 billion U.S. dollars per year since 2009 (Dollar,

2017). In effect, many developing countries are taking out Chinese loans without having to abide by strict standards or having the capability to actually repay those loans. The implications of this lending practice is two-fold.

With China's willingness to loan money to unreliable countries, there is growing concern that this belt and road initiative may lead to the next global financial crisis (Gilchrist, 2017). Truly, some major borrowers from China have encountered debt sustainability issues. However, while some countries are experiencing debt due to Chinese loans, there are also other BRI countries that are in good fiscal shape. Kazakhstan and Indonesia would be fine examples for the success of BRI goals, as they are not heavily burdened with debt (Dollar, 2017). Before Pakistan started suffering from unsustainable debt to China due to high interest rates, Pakistan actually attained its highest GDP growth in eight years after forging a tight relationship with China (Ellis, 2018). Africa also saw the establishment of many schools, surgeries, and construction projects due to Chinese investment. There are thus evident benefits for countries as well. Many developments have flourished across the world thanks to Chinese infrastructure spending.

This economic policy of building infrastructure worldwide may seem like a 'selfless' deed in which China appears to be helping developing nations close the great divide in the world. However, it is important to remember that the core objective of every action in economic diplomacy is not to provide assistance but to guarantee one's own national economic security and interests. As people would say, nothing comes free in the world. Hence, if a country is willing to give out so much money, there must be something for that country to gain as well since a 'win-win' situation is what every diplomatic negotiation should be about.

Interestingly enough, however, not all negotiations are beneficial for all parties involved even though it appears to be. China's belt and road initiative is a great example of this, as China and its partner developing nations are all supposedly benefitting from infrastructure projects in the developing country. However, many of the countries that accepted Chinese loans are actually now suffering because of those loans, while China is benefitting from the countries' incapability to repay the loans. The BRI which originally took the form of 'aid diplomacy' is therefore more and more becoming recognized as China's money trap policy or 'debt-trap diplomacy'.

BRI: from ‘aid diplomacy’ to ‘debt-trap diplomacy’

Through the years, nations are starting to see a pattern by which the countries that China lent out money to are actually starting to drown in their debt and lose a degree of sovereignty to China. China’s belt and road initiative, therefore, loses its appeal as a form of ‘aid diplomacy’ and rather is being recognized as a ‘debt-trap diplomacy’, in which China purposively lends out large sums of money with such high interest rates in order to trap the country into furthering China’s strategic goals to gain geopolitical influence and power across the world.

As can be witnessed in global news, many countries that are indebted to China are quite vulnerable. The World Development Indicators present data showing that the debt-to-gross-national-income of the top 20 BRI countries has increased from 35% in 2008 to 50% in 2015, while the other 77 developing countries who borrowed from China witnessed a modest increase in external debt (Dollar, 2017). Center of Global Development reports in 2018 that there are eight countries which are at high risk of being unable to repay their debt to China; these are Montenegro, Djibouti, Kyrgyzstan, Tajikistan, Pakistan, Mongolia, Laos, and Maldives (Hurley et al., 2018). These countries, therefore, have to grant China some influence over their territory.

Pakistan, for example, owes China over 40 billion dollars due to the China-Pakistan Economic Corridor (CPEC) through which China lent Pakistan loans for infrastructure initiatives to connect Asia, Africa, and Europe. The inability to repay the debt has enabled China to take control of Pakistan’s sea port of Gwadar for 40 years. In 2018, China has also started constructing its second overseas military facility at Jiwani, Pakistan, which is a port located near the Iranian border. China plans to make this base a joint naval and air facility for Chinese forces; consequently requiring Pakistan to displace the residents in the areas (Gertz, 2018). Currently, Pakistan is in the midst of an economic crisis which some experts have attributed to be partially due to the high interest rates that Pakistan has to pay to China.

Similarly, Sri Lanka had to sign away the entire port in Hambantota to China for 99 years due to its inability to repay the Chinese loan of 1.5 billion U.S. dollars used to build that very port. Furthermore, China Merchants Port Holdings attained 70% controlling stake in the Hambantota port (Chappell, 2018). With this port’s proximity to India, there is concern that China will transform this port into another naval base. This tendency to use the borrowing countries’ ports to build military bases abroad and augment its military position worldwide is thus becoming more frequent ever since its first establishment of a military base in Djibouti, another country that owes China money.

Montenegro and Maldives are two other countries that have incurred unsustainable debt due to their acceptance of Chinese loans. For Montenegro, China offered to help it build a highway between the port of Bar on Montenegro's Adriatic coast and Serbia. Studies in 2006 and 2012 have suggested that the cost of such construction would not be justified due to the low traffic in the area (Barkin and Vasovic, 2018). However, China's offer was tempting and Montenegro was convinced it would be a good investment. In the end, the government was faced with only two options: leave the project unfinished due to insufficient funds and a growing debt-to-GDP ratio, or to enter a public-private-partnership with the China Road and Bridge Corporation (CRBC). The government chose the latter option, which now brings forth concerns about whether Montenegro would be able to guarantee costly revenue to CRBC given the low traffic in the country or be plunged deeper into its financial woes.

Maldives, on the other hand, has started to construct a 225 million U.S. dollar bridge called 'China-Maldives Friendship Bridge' with grants and loans from China. This decision did not reap successful results, as Maldives' debt-to-GDP ratio has nearly reached 100% (Chappell, 2018).

Aside from miring nations into debt in order to establish military footings and increase Chinese commercial presence abroad, this economic policy also aims to expand markets to deal with the shortages within the country. With an unemployment rate of 3.8% and fewer opportunities for construction projects within the country in 2019, China has negotiated with the BRI countries to utilize Chinese workers and construction companies in their Chinese-funded infrastructure projects (Hans, 2019). These negotiations have led to an increase in revenue for Chinese construction companies. Data from the China Ministry of Commerce has recorded an increase from 60,000 BRI construction contracts in 2014 to nearly 80,000 in 2016 (Ellis, 2018). With growing importance of these Chinese businesses in China's trade relations, seven out of the ten biggest construction firms in the world are now Chinese firms (Ellis, 2018).

This proliferation of Chinese businesses in the international realm also comes hand-in-hand with the growing presence of Chinese workers abroad through migration and relaxed visa restrictions granted by indebted countries. Many Chinese workers are thus notably working on the infrastructure projects in Pakistan, Montenegro, the Philippines, and more. In fact, around three million Chinese immigrants entered the Philippines from 2016 to 2018 ever since Philippine President Rodrigo Duterte sought Chinese investment for his infrastructure project (Mourdoukoutas, 2018).

The Philippines actually brings forth an exceptional and recent case in the BRI. Chinese Ambassador to the Philippines Zhao Jianhua said in 2016 that China will not allow the Philippines to fall into a ‘debt trap’ (Lema, 2016). True to his word, China has not plunged the Philippines into debt—as its loans did to other countries—because China has not actually delivered the amount in investment that it said it would. In 2016, China promised President Duterte approximately 24 billion U.S. dollars for his 180 billion U.S. dollar ‘Build, Build, Build’ infrastructure project, which aims to develop 75 flagship projects—including six airports, nine railways, three bus rapid transits, 32 roads and bridges, four seaports, four energy facilities, ten water resource projects, five flood control facilities, and three redevelopment projects. Among the 15 billion U.S. dollars as foreign direct investment and nine billion U.S. dollars as aid that China pledged, the Philippines received less than 5% of the promised funds as of August 2018 (Chappell, 2018).

Despite the lack of delivery of the said budget, President Duterte has already conceded to Chinese power several times. Due to the strengthened ties between the Philippines and China, China can still exercise control on Philippine territory in the South China Sea. To recall, the Philippines and China were engaged in a maritime dispute over the Scarborough Shoal in the Spratly Islands. This reef lies approximately 120 miles from Luzon and 500 miles from the nearest Chinese coast; clearly placing it within the Philippines’ boundary or exclusive economic zone as defined by the Law of the Sea. However, China points to their arbitrary “Nine Dotted Line” and therefore claims this disputed territory which is within this demarcation. In 2016, the United Nations-backed Permanent Court of Arbitration (PCA) ruled that the area belongs to the Philippines. Despite this victory, the Philippine President lets China maintain its coastal guards in the territory and he even proposed a highly controversial deal with China on a joint exploration of resources in the once-disputed territory. In this deal, Philippines would receive 60% of the revenue from its Scarborough Shoal and China would receive 40% (Chappell, 2018).

Furthermore, President Duterte relaxed visa restrictions for Chinese citizens. This lifting of restrictions enabled more than three million Chinese citizens to enter the Philippines since 2016 (Mourdoukoutas, 2018). This flooding of Chinese workers in the Philippines is quite disadvantageous for the Filipino people. First of all, the Philippines already has a high unemployment rate of 5.1% in 2018 (Mourdoukoutas, 2018). In fact, many Filipinos are resorting to finding jobs overseas because of the lack of employment opportunities in this overpopulated country. Bringing in Chinese immigrants worsen this situation, especially since Chinese citizens are taking the available jobs, further boosting the gambling industry, and

purchasing local properties; thereby triggering an increase in property prices in Manila and other developed areas in the country (Moudoukoutas, 2018). As can be seen, the Philippines still has not gained the complete promised budget from China while China is already enjoying its benefits from the bilateral agreement.

Through these examples, one can see that many of the BRI countries are losing some control of their country to China. Although China appears to be investing and aiding the BRI countries in developing the country's infrastructure, some BRI countries have nothing to show for it because China reclaims the constructed infrastructure as payment for the debt. Meanwhile, others either suffer from unsustainable debt, or experience a surge in Chinese immigrants and rise in property prices and unemployment rate. For other countries, it is not clear yet what China plans to demand in exchange for debt relief. However, two occurrences are certain: China has a lot to gain when it can demand anything in exchange for debt relief or re-scheduling, while the indebted countries have a lot to lose due to their growing dependence on Chinese funds.

BRI: An economic instrument for national interests

"The allegations of 'land grabbing' and 'debt trap' are totally groundless," denied H.E. Ambassador Zhang Lizhong in his speech in the Forum on China-Maldives Tourism Cooperation. Others may argue that Ambassador Lizhong's statement does hold some truth because China never explicitly pushed the BRI countries into debt. In fact, China helped these developing countries achieve infrastructure projects that they probably would not have been able to start in the first place without Chinese funds. It is thus unfair to place all the blame on China just because it gives out loans to governments who cannot maximize the productivity of the loans due to poor governance in their countries; thereby leading them toward external debt. China, in this case, merely has the right to ask for something in return for the amount of capital that it invested in the country that cannot pay its debt back.

ABC reporter Sean Mantesso (2018), however, points out that China's money trap or debt-trap diplomacy is actually rather systemic. China offers loans despite knowing that the countries will be unable to pay the loans; thereby 'trapping' them to concede something else in exchange for debt relief. In this case, this negligence of setting strict standards in choosing which countries to provide loan to is actually purposive negligence. For Mantesso, the BRI is a

calculative move on the part of China in trying to increase influence around the world by getting BRI countries to either facilitate some sort of trade with China or sign away a territory.

Other experts refer to the String of Pearls Theory, which presupposes that China is trying to establish a string of naval bases in the Indian Ocean. To this effect, many countries which surround the Indian Ocean are now indebted to China because of the BRI—such as Sudan, Djibouti, Pakistan, Maldives, Sri Lanka, Bangladesh, Myanmar, Cambodia, and Hong Kong (Ellis, 2018). Gaining territory and/or influence in these countries will enable China to station military and commercial bases through this region; thereby achieving strategic goals to challenge the United States' military and economic superiority.

Although the BRI has aroused caution and suspicion regarding China's strategic motivations, it is important to remember that China is actually not the only country engaged in economic warfare. In fact, the United States actually has way more military bases abroad than China. The United States have approximately 800 bases in over 70 countries (Mantesso, 2018). The fact that China is the one being criticized for its foreign economic policy and its intention to establish a military foothold across the world is, in one hand, justified, but on the other hand, merely a tendency to view China and its progress as threats to what the world is accustomed to: the dominant United States' ideology.

Conclusion

The 'One Belt, One Road' Initiative or the Belt and Road Initiative may have important or drastic consequences for the BRI countries, however one thing is certain: China successfully uses the allure of loans to build foreign relations and increase its economic and military presence around the world. Loans, in the case of the BRI, are strategic instruments of economic diplomacy, in order to promote China's influence around the world. True, some countries came out with a devastating increase of external debt and loss of some sort of territory or sovereignty. However, what matters in this case and what determines the success of the program as an action of economic diplomacy is whether it enabled China to cooperate with foreign partners and forward one's own national interests. The BRI, in this case, is a fine example of a well-formulated use of smart power to forward China's strategic goals—from increasing the country's GDP, representation abroad, and foreign trade relations to establishing itself as an emerging superpower.

Others may be critical of China's ascension as an emerging first-order state due to allegations of 'debt-trap' diplomacy to forward military motivations, however such an act is actually simply a successful tool in the influencer game of economics and diplomacy because China offered the BRI countries something valuable in return. China lost capital in the form of investment and loans, in order to establish physical and economic relations with the countries as stakeholders in its agenda. Whether the developing countries used those funds productively is an issue that no country can blame completely on China. After all, every country is engaged in this diplomatic tactic to build relations and negotiations with other countries in the pursuit to represent one's own national interests abroad.

In this increasingly globalized and interconnected world, every country is in constant competition for economic prosperity because every country has a stake in the economic development of the world and the influencer game of politics. While one country's actions can easily affect another country, every diplomatic action will thus be a tool to first and foremost increase one's own foreign influence. Who does economic diplomacy best determines global economic and political power, and in strengthening and solidifying the interests and power of a country. By building relations and taking control of global trade, China is well on its way to becoming a global superpower that can challenge the United States' status.

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IS TRANSITIONAL JUSTICE AN ESSENTIAL TOOL OF LIBERAL PEACEBUILDING OR EMANCIPATORY PEACE?

Aisling Maria Keys

Introduction

The perception of liberal peacebuilding efforts spearheaded by the UN is typically that of a narrow liberal peace predicated on institutionalization and democratization. Often, the political, economic and legal institutional frameworks are culturally inappropriate for the transitioning country and fail to compliment the local context (Richmond 2013, p.389). Thus, the process has frequently demonstrated that it can be more destabilizing and can even invoke a return to conflict (Visoka 2016, p.93). Although peacebuilding and transitional justice have never formally been linked, they influence one another in their dismissal of local dynamics (Baker, Obradovic-Wochnik 2016, p.287), focus on institutional building and their top-down state-building apparatus (Andrieu 2010, p.541). Additionally, their similarities ensure that transitional justice (TJ) shares many of the same pitfalls of liberal peacebuilding. Importantly, TJ is not exclusively an international phenomenon imposed by external organizations, there is also a grassroots element to consider that is locally administered. The notion of peace and justice have so frequently been used in the capacity of peacebuilding that it is easy to forget that such concepts possess emancipatory dimensions beyond the colonial legacies they have been associated with. Hitherto goals of liberal peacebuilding and ‘liberal’ transitional justice are virtually the same and have contributed to reductionist notions of peace.

This essay will gauge whether transitional justice is an essential tool to liberal peacebuilding or emancipatory peace by dissecting and evaluating two distinct applications of transitional justice. Namely an exclusionary transitional justice, which is governed by external forces, the liberal paradigm and concentrates on statebuilding, and emancipatory transitional justice, which is locally implemented, inclusive and focused on societal building. The former has its origins in liberal democracy and could be a handmaiden to liberal peacebuilding; the latter, however, is synonymous with emancipatory peace. To conduct this evaluation, first, I shall define the concepts, their goals and characteristics. Next, this essay will place transitional justice within the post-conflict reconstruction literature to apprehend whether transitional justice is a

handmaiden to liberal peacebuilding. This will be done by assessing the embeddedness of transitional justice within the liberal framework though analyzing shared goals and functions. Lastly, the synonymous relation between local transitional justice and emancipatory peace will be elucidated.

Concepts

Peacebuilding

Within the United Nations (UN), peacebuilding is a term that emerged after the Cold War that refers to efforts to assist countries and regions in their transitions from war to peace and to reduce a country's risk of lapsing or relapsing into conflict by strengthening national capacities for conflict management, and laying the foundations for sustainable peace and development (UN, 1992). It is questionable however, to what degree peacebuilding has been successful in implementing 'sustainable peace' as critics posit the process as being externally imposed by the international system in an attempt to re-engineer post-conflict societies according to a hegemonic system. As a result, peacebuilding operations and their institutional infrastructures are often inappropriate for the political and legal cultures in the countries in which they are implemented (Visoka 2016, p.67). This perspective claims that liberal peacebuilding has had unintended consequences and has the tendency of being insensitive, ethnocentric and only representing a narrow set of interests (Richmond 2011, p.11). Peacebuilding has undergone a change, the peacebuilding activities that took place during the onset of peacebuilding were minimalist in nature those activities have since give way to comparatively intrusive acts, which presuppose involvement in social, political and economic questions. This sort of social engineering from macro to micro approach can be counterproductive for the peace process (Andrieu 2010, p.538). As it neglects local needs and the suffering of society and believes through marketization and institutionalization old wounds will be repaired.

Liberal Peacebuilding, as the name insinuates, is derived from the liberal paradigm, which excessively relies on the development of democratic institutions and the establishment of a market economy (Sriram 2007, p.380). Liberal Peacebuilding is built upon the concepts of territoriality and state sovereignty, the creation of a strong state that can become an actor in the international system (Richmond 2011, p.8). Furthermore, liberal peacebuilding normally takes

place through the UN on supporting democratisation, a rule of law, human rights and civil society as a form of governmental power (Richmond 2013, p.381).

Transitional justice

Transitional Justice is a concept and process that includes an array of legal, political and cultural instruments that influence processes of regime change that was born at the end of the Cold War. As defined by the United Nations, ‘it is a set of judicial and non-judicial instruments and mechanisms’ (UN, 2010) Transitional Justice includes an array of measures, that aim to acknowledge previous wrongdoings and quantifies the loss of lives. Therefore, it is a retrospective mechanism concerned with abuses committed prior to the transition and prospective insofar as it strives to prevent recurrence of violence with the end goal being establishing the groundwork for long-term positive peace. However, transitional justice as implemented in practice tends towards a restrictive definition that only includes political forms of violence, excluding structural forms of injustices (Andrieu 2010, p.542). Transitional justice is heavily influenced by the neoliberal paradigm, which asserts political rights takes prevalence over economic or cultural rights (Andrieu 2010, p.544). As a result, transitional justice is concerned with institution building, specifically legal institutions that add in the formation of liberal democracies.

Peacebuilding and Transitional Justice have emerged from the same political and ideological movements that emerged proceeding the Cold War and the victory of western liberal democracy. Both concepts share the belief that through liberal objectives and institutions, failing states can be transformed from a state of conflict to peace achieved by political, social and economic liberalization (Sharp 2013, p.153). The transitional justice that emerges is the exclusionary form of transitional justice. It is important when discussing transitional justice that we differentiate between inclusive and exclusive transitional justice. Inclusive justice involves all former factions to the conflict, allowing for equal representation and shared responsibility, which is characteristics of emancipatory transitional justice. While exclusive justice only includes a select group of victims and perpetrators and is that justice which is synonymous with exclusionary transitional justice (Mihr 2017, p.8). Furthermore, transitional justice has received many of the same criticism that has been placed upon liberal peacebuilding namely, imposed institutionalization that tends towards a form of liberal governmentality that is susceptible to hijacking by local elites.

Is transitional justice liberal?

The term transitional justice was coined by Ruti Teitel in the early 1990s, Ruti understood the issue of transition to be a purely political venture, where prominence was placed on a liberal democratic institutional set-up (McAuliffe, 2011, p.38). In the early days of post-conflict transformations, the choice of liberal democracy was placed in the hands of elitist groups and institutional and legal reforms instead of society reform or bottom-up processes. Later on, a preoccupation with liability for human rights, atrocities, truth and reconciliation were added in order to enhance the quality and effectiveness of liberal institutions (Mihir 2017, p.3). Usually, transitional justice seeks to attain justice in an institutional sense rather than an ethical sense, which helps to reinforce the rule of law (Mihir 2017, p.9). These assumptions have helped shape the conceptual boundaries of transitional justice. Furthermore, there is an increasing propensity to consider transitional justice as a tool for promoting not just democracy, but also peace and human security (Sharp 2015, p.158). Therefore, transitional justice, based on the narrow understanding, is a mechanism for liberal democracies; since, legal accountability is necessary for the construction of rule of law and democracy, post-conflict reconstruction has incorporated judicial reform, rule of law and criminal justice as an integral mechanism for statebuilding, (Garcia-Godos, Sriram 2013, p.17). However, more broadly understood, transitional justice could be a tool to achieving positive peace. Positive peace refers to the absence of direct, personal violence and unlike negative peace; it also includes absence of indirect structural violence (Galtung, Fischer 2013, p.174). Therefore, the narrow understanding of transitional justice has the same goals as liberal peacebuilding, the establishment of a stable democratic state through institutional reform. Activities such as, reform of the judiciary system, security institutions and reform to the military apparatus (Sriram 2007, p.582).

The peacebuilding agenda and transitional justice currently concern themselves with negative peace, the absence of hostilities. A shift towards positive peace could enable a greater balance of equality and a wider range of justice for all. The concept of justice predicated on transitional justice administered by the UN raises the question of justice for who, because an external body struggles with the dilemma of understanding the nuances within the conflict. As a result, fair justice or justice for all is rarely achieved. However, were positive justice the goal, the emphasis would be placed on structural peace, which would suggest addressing violations of physical integrity, civil and political rights (Sharp 2015, p.160). Additionally, the focus would be placed on creating institutions that represent those rights and ensure a greater balance of resources and

equality. Emancipatory transitional justice administered by local non-governmental agencies that focuses on societal building would be better able to achieve structural peace.

Literature review

Theory and scholarship progressively manifest a division between those that see transitional justice as adding value and being crucial to contemporary peacebuilding and those who dismiss the centrality of transitional justice altogether. For the most part those who emphasize the centrality of TJ to liberal peacebuilding are TJ scholars themselves, while mainstream peacebuilding literature disregards TJ or places it at the margins of peacebuilding operations (McAuliffe, 2017, p.92). The early literature on transitional justice does not necessarily consider transitional justice as operating complementary to peacebuilding operations; in fact, it suggests that justice would impede peace rather than foster it (Garcia-Godos and Sriram 2013, p.3). If this were to be the case then transitional justice would be considered outside of the domain of liberal peacebuilding; however, modern day discourse seems to state otherwise (Sriram 2007, p.583). Mainstream transitional justice scholar, Gerhard Thallinger, devotes a whole section in his article “The UN Peacebuilding Commission and Transitional Justice” to transitional justice “as an indispensable ingredient of peacebuilding” (Thallinger 2007, p.13). According to him, transitional justice is a necessary part in every peacebuilding operation and thus he posits that it can be perceived as a subset of peacebuilding (Thallinger 2007, p.14). Paul Gready and Simon Robins, while critical of transitional justice, asseverate the embeddedness of TJ in liberal peace operations and its role as the bridge that links peacebuilding to the liberal statebuilding projects (Gready, Robin, 2014, p.341). Transitional justice is certainly necessary at least according to Lekha Sriram, who believes that peacebuilding would not be possible without the mechanisms and tools of transitional justice: “it would be a mistake to seek to ‘do justice’ in a political vacuum, or to seek to build peace without addressing the horrors of the recent past” (Sriram 2007, p. 585). Some argue that managing past atrocities is essential to long-term peace and to prevent cycles of violence (UN 2004, p.8).

If the transitional justice narrative has become “increasingly intertwined with a view of transitional justice as a component of post-conflict peacebuilding,” scholars in the realm of peacebuilding have yet to catch on (Sharp 2014, p.150). Policy documents that are considered foundational for liberal peacebuilding either mention transitional justice only in passing or ignore it entirely. An example of such a document is the UN Peacebuilding Support Office’s

Peacebuilding: the introduction, which highlights the main elements and priorities of peacebuilding, mentions transitional justice only in passing (UN 2010). Furthermore, the Report on Responsibility to Protect by the International Commission on Intervention and State Sovereignty makes no reference to transitional justice, at least in name (ICISS 2001). The Brahini Report and the Future of UN Operations also completely ignores the subject of transitional justice. (UN, 2000) When transitional justice does seem to be mentioned as in the OECD report, it is seen as process that can be delayed, proving that it is of secondary importance (OECD, 2008). This emphasizes the marginal role transitional justice plays, as perceived by those who coordinate peacebuilding.

Transitional Justice scholars view their practice and focus as indispensable yet they fail to realize that their practice is one among many deployed within peacebuilding. They believe it to be a tool embedded into peacebuilding that serves a central role in statebuilding. As of yet, transitional justice is not a research focus situated in the peacebuilding context and is conspicuous by its marginality in peacebuilding documents (McAuliffe 2017, p.97). However, while transitional justice may not be the independent important tool that transitional justice scholars would like to assume, legal institutional reform and accounting for the cause of conflict is essential should peacebuilding operations want to successfully create sustainable peace.

While transitional justice should be used as a tool of peacebuilding, there is relatively small formal connection between them, both in theory and in practice. However, recently there has emerged a small section of literature that is looking at potential linkages. Indeed, it should be taken into account that the UN has generated policy documents regarding the linkages between transitional justice and peacebuilding (McAuliffe 2017, p.94). One example of such a document is 'the Rule of Law and Transitional Justice Reports.' Such reports include guidelines that take into account, the source of conflict and rule of law reform programs (Sharp, 2015, p.154). This proves some willingness from the United Nations to incorporate transitional justice mechanisms within peacebuilding. The recent literature withstanding, transitional justice has yet to be considered an essential tool of peacebuilding despite transitional justice advocates attempting to make the connection.

Transitional Justice in practice

Transitional justice is accompanied by its own toolbox, which includes prosecution, vetting and dismissals, truth telling and reparations (Sharp 2015, p.155). It is feasible that this toolbox can be subsumed into the larger peacebuilding discourse. There is a hierarchy of priorities of peacebuilding in post-conflict societies; projects initially focus on the development of socio-economic and political objectives, creating restrictions on the pursuit of transitional justice. This problem is partially due to the lack of funding for implementing truth commissions and the persecution of perpetrators amid the primary demand for funding for basic services and the reestablishment of public infrastructure (Garcia-Godos and Sriram 2013, p.11). However, there have been some efforts made to integrate aspects of transitional justice into peacebuilding, namely aspects that aid in the construction of liberal democracies. Legal and human rights instruments are mutually reinforcing columns to liberal democracy, by reinstating the rule of law it will produce revised social norms and help rebuild political institutions at state level (Andrieu 2010, p.539). This approach can be criticized for its failure to alter local dynamics because of the focus on legalism, communities who actually suffer feel removed from the process.

These liberal transitional justice initiatives that are implemented from the top neglect answering the question of what transitional justice is and for whom does it help. (Nagy 2008, p.277) In Kosovo international actors intervened to create a liberal framework and initiate the state-building process. The United Nations Mission in Kosovo (UNMIK) were responsible for implementing transitional justice mechanisms, such as establishing the rule of law and bolstering human rights. The TJ agenda was more concerned with the institutional level and were not interested in dealing with the past, truth-seeking, reparation and community reconciliation (Visoka 2016, p.67). The societal negligence has ultimately resulted in fueling ethno-nationalist discourses and delaying the transitional justice process. Ultimately, the process failed to enable a progressive, non-confrontational relationship between the Serbs and Kosovars, therefore failing to create a basis for positive peace.

Another consequence that flows from exclusionary transitional justice is the understanding of truth as an exclusive narrative purely concerned with political violence (Andrieu 2010, p.541). The construction of the truth that is performed by truth and reconciliation commissions (TRCs) who decide what is to be included and excluded, forming an official narrative of the past. Top-down truth imposes a single narrative therefore, neglecting the plurality of individual

experiences and may result in causing more harm than good, controlling the narrative can also have an influence on narrative shaping for the future (Andrieu 2010, p.542). In the Kosovo case, the process was exploited by international actors and local elites causing the prevalence of ethno-national narratives (Visoka 2016, p.96). These are just a few examples of the pitfalls of transitional justice that is administered top-down and they are synonymous with some of the pitfalls experienced by liberal peacebuilding. Both assume the best course of action is the establishment of a liberal democracy but often they are imposing institutions that are inappropriate for the local context. Furthermore, the naivety of the international system of the local political context results in elite groups gaining control. These pitfalls are a result of international actors preoccupation with institutional formation in the hopes that liberal infrastructure will generate a democratic system with an improved economy, however the grievances of conflict do not simply vanish they must be dealt with at a grassroots level.

Alternative to peacebuilding and UN implemented transitional justice

While liberal peacebuilding remains the dominant mainstream model, there has been rival paradigms within critical theory. Critical theory as of yet does not provide a comprehensive solution, however it does tackle some of the problematic dilemmas of peacebuilding and could serve as a reformative measure to the current existing configuration. These concepts imagine a shift in perspective from a macro to a micro approach to peacebuilding one that takes in account society's needs and the population's preferences. This is juxtaposed to liberal peacebuilding's state centered top-down trend, which emphasizes restored courts, elections and retraining security forces (Sharp 2015, p.164). Liberal peacebuilding is inherently flawed due to its institutional framework that is designed for a western, individualistic context in mind rather than emancipatory one that fosters local legitimacy (Richmond 2013, p.379). A focus on institution building neglects the root causes of conflict and fails to connect with the local population and results in the strengthening of elites and their personal interests. However, an alternative approach has the propensity to fix such shortcomings.

Emancipatory peace is one such promising alternative as it is a "bottom-up approach with a stronger concern for social welfare and justice. It equates with the civil peace and is generally not state led but is shaped by NGOs, trade unions and advocacy and social movements as well as some regional and international actors" (Richmond 2011, p.5). While literature connecting transitional justice and emancipatory peace is extremely limited, there are similarities in the

characteristics of both that could be pointed to, namely the involvement of the local community and the engagement of civil society in society building (Andrieu 2010, p.549). Local analysis is a distinct feature of emancipatory peace that incorporates civil society, culture, class and gender needs into the peacebuilding process (Richmond 2011, p.27). Post conflict transformation should coordinate more with local groups and grassroots initiatives for peace and place an importance on society building and intergroup relations. In order to foster society building negative images of the other should be dismantled and to strengthen attitudes of intercommunal cooperation. Truth and reconciliation commissions already work to achieve the goal of national reconciliation however, it is currently spearheaded by the international community. Civil society efforts to transitional justice aim to eliminate the ethno-nationalistic tendencies and provide an avenue for reconciliation (Visoka 2016, p.98). A localized transitional justice process would horizontalize the conflict therefore, rather than an emphasis on reconciling the relationship between the state and the population, it would focus on the relationship between different groups in society (Siram 2007, p.285). Civil society has the potential to be an innovator and facilitator in the post conflict context, taking on tasks that could include facilitating the creation of political groupings, documenting human rights abuses and even invalidating political identities and narratives that are exclusive (Andrieu 2010, p.550). Civil Society is already playing a role, in South Africa they helped draft legislation that set up the TRC (Sarkin 1996, p.621). These synonymous characteristics of localized transitional justice and emancipatory peace are evidence that the concept of transitional justice goes beyond liberal peacebuilding. Causing transitional justice to appear as somewhat of a hybrid process that while greatly influenced by the liberal paradigm and the state-building approach there are aspects of the process that are features of society building and could if implemented correctly foster positive peace.

Conclusion

In conclusion, transitional justice can be viewed as two separate halves of a whole, one half being exclusionary transitional justice and the other being emancipatory transitional justice. Exclusionary transitional justice was born out of the liberal paradigm and it inclusive and international in character. While it has potential to be essential to the liberal peacebuilding framework, it is conspicuous in its marginality in literature and while some aspects of the transitional justice toolbox have been implemented in practice, they appear to be an afterthought

and lack the necessary resources leaving transitional justice as a neglected characteristic of liberal peacebuilding rather than an essential one. The tools that are implemented, are concerned with constructing a legal institutional framework aligned with western liberal ideals resulting in a negative peace because of its disregard for micro-level interactions within society. However, there are aspects of transitional justice juxtaposed to statebuilding that fosters the reconciliation of society and are emancipatory in their nature. This shift in perspective would bolster local actors and would take into account society's needs. This form of transitional justice is synonymous with emancipatory peace and has the potential to promote positive peace, unfortunately such concepts have yet to be tried in practice. Two roads are diverging in the post-conflict transformation woods and perhaps it is time to take the road less travelled and implement emancipatory forms of peace and transitional justice, having the potential to make all the difference. As the worn path of liberal peacebuilding seems to be wearing from the years of unsuccessful attempts to maintain peace.

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THE SHADOW ECONOMY IN THE EUROPEAN UNION: PROBLEMS AND WAYS TO OVERCOME

Yelyzaveta Malkina

Any person connected with the economics, not once heard about the problem of the shadow (or grey/informal/underground) economy. Nevertheless, what exactly it is and which issues causes?

Definition of the shadow economy, typology

The essay must begin with a definition of this phenomenon. Naturally, many of them can be found, nevertheless, all would be different from one another. There is still no commonly used terminology, because the shadow economy is studied by representatives from different sciences (psychology, law, anthropology, and economics of different directions). The definition also varies from country to country, because the shadow economy includes many economic activities and it depends only on the legislation which of them are legal and which are not.

However, the most complete and unifying definition is from OECD Glossary of Statistical Terms: «Underground production consists of activities that are productive in an economic sense and quite legal (provided certain standards or regulations are complied with), but which are deliberately concealed from public authorities for the following reasons:

- to avoid the payment of income, value added or other taxes;
- to avoid payment of social security contributions;
- to avoid meeting certain legal standards such as minimum wages, maximum hours, safety or health standards, etc;
- to avoid complying with certain administrative procedures, such as completing statistical questionnaires or other administrative forms.» (OECD, 2008)

In addition, the shadow economy should also be distinguished from the black economy, which includes illegal activities such as crime, prostitution, producing and distributing drugs. Black market transactions are part of the shadow economy.

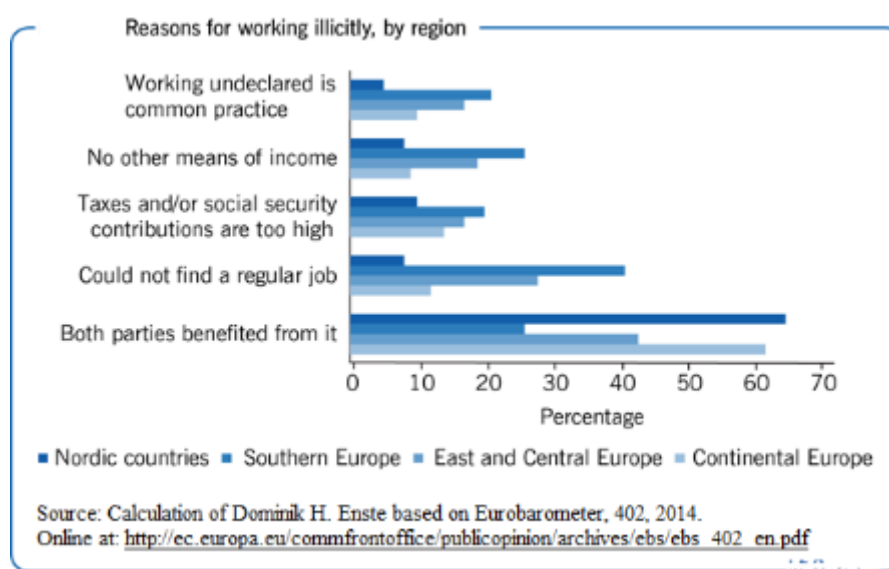
The shadow economy can be viewed from two sides: on the one hand, it is provoked by the desire to make money on satisfying people's demand, despite the illegality. On the other hand, it is a necessity for people who cannot normally exist within the framework of laws.

It is also necessary to distinguish activities related to household and moonlighting, the so-called "soft" forms from truly serious criminal actions, because reasons, motives and consequences are different for these types of underground economy. Although it is not a fact that losses from tax evasion by large firms are greater than from minor violations that occur in the life of every person almost daily.

After all, the much bigger problem than how to define the shadow economy is how to calculate it.

Counting methods

In most honourable studies, it is measured by a combining of direct methods such as statistical surveys asking about direct experience of respondents and indirect methods such as comparing national accounts with electricity consumption, or measuring the use of cash transactions. Widely respected research on the extent of the shadow economy was developed by Friedrich Schneider from the Johannes Kepler University in Linz, Austria.



According to his model, the shadow economy is mostly spread in the Eastern Europe (e.g. 33% of GDP in Bulgaria), less in southern Europe (e.g. 25% of GDP in Greece) and the least in Western Europe (e.g. 18% of GDP in Belgium). However, there are substantial differences

among countries in particular region. For example in the Czech Republic and Slovakia the shadow economy represents only 17% of GDP, but in Spain and Portugal it is 20% of GDP and in Austria and Switzerland it is only 8% of GDP. (Golias, 2013)

Causes

Many factors influence the development of the shadow economy.

- High tax burdens and social security contributions: many studies find the increasing burden of taxes is of the most important drivers of the growth of the shadow economy. For some enterprises, tax evasion is a matter of survival, since if all their competitors do not pay taxes, and then the cost of their goods is lower. With the payment of taxes, the cost increases and competitiveness decreases accordingly. This situation creates a vicious circle: because of high taxes, people start to avoid paying, which reduces budget revenues and forces the state to raise taxes even more. From this, it follows that maximum tax revenues to the budget do not fall at the time of maximum taxes. The shadow economy is a pointer of a strong deficit of legitimacy in the state rules and in a debility in the social discipline.
- Density and intensity of regulations in the official economy, especially on labour markets, including mandated reductions in the work week, early retirement, and growing unemployment, providing more time for illicit work.
- Less civic involvement, loyalty, and respect for public institutions.
- Weak tax morale (willingness to pay taxes): this factor due to another one – “quality of state institutions and benefits”. If people do not trust state institutions, for example because of high level of corruption in the government, they do not feel guilty about avoiding paying taxes. The same situation if people do not receive enough help from the state in the form of subsidies, unemployment benefits, severance packages, state allowances and other social benefits. People are not ready to pay taxes, because they do not feel that the state helps them.
- Spread of cash payments: easier to hide than electronic transactions.
- Rise in the intensity of regulations, often measured by the number of laws and regulations, such as license requirements, labour market regulations, trade barriers, and labour restrictions on immigrants. (Enste, 2018)

Main factors influencing the shadow economy and estimated contribution to size of the shadow economy in industrial countries		
Factors	Influence on the size of the shadow economy (%)	
	Range based on 15 studies	Range based on 28 studies
1. Taxes and social security contributions	35–38	45–52
2. Intensity of state regulations	8–10	10–15
3. Social transfers	5–7	5–8
4. Specific labor market regulations	5–7	5–8
5. Public sector services	5–7	5–8
6. Tax morale	22–25	a
Overall influence	76–94	70–90

Note: Estimates are ranges based on empirical studies. a. Tax morale was not included in the analyses.

Source: Enste, D. H., and F. Schneider. "Zum Spannungsfeld von Politik und Ökonomie." *Jahrbuch Schattenwirtschaft, Band 1*. Vienna: Lit Verlag, 2006; and Schneider, F., and D. H. Enste. *The Shadow Economy—An International Survey*. 2nd edition. Cambridge, UK: Cambridge University Press, 2013.

IZA
World of Labor

According to economic theory, the bigger the difference between the total cost of labour in the official economy and the after-tax earnings from work, the greater the desire to reduce this difference and to work in the shadow economy.

In Eastern and Central Europe, other factors drive the shadow economy. They include:

- Lack of competence of official institutions (legislature, bureaucracy, courts) combined with corruption, which undermines trust in these institutions.
- Weak enforcement of laws and regulations and an inability or unwillingness to protect property rights.
- High costs and administrative burdens for entrepreneurs.
- Low probability of being caught as an illicit worker or tax evader, which makes illicit work more attractive than work in the official economy.
- Too much red tape and inefficient bureaucracy, which can make “hiding in the shadows” essential for survival or to establish a business.
- Broad acceptance of illicit work, which makes it difficult to fight against it. (Enste, 2018)

Ways to overcome

An increase of the shadow economy is a signal of the obligatoriness to improve regulation, a fair, more efficient institutions and transparent tax system. Against illegal employment, organized crime and corruption can and should be used enforcements but these measures act on the symptoms, and not on the cause of their occurrence. To reduce the level of the shadow economy, the state need to liquidate the motivation of people to use illegal sources of income.

A two-pillar strategy for reducing the attractiveness of the existing option (shadow economy) and strengthening the voice option (Enste, 2018)	
Exit option	Voice option
Reducing financial incentives to escape into the shadow economy	Strengthening popular participation in government
Improve and simplify the tax system to strengthen acceptance	Build trust and invest in social capital (for example, through support of corporate social responsibility)
Reform social security systems by strengthening the equivalence principle (more social tax contributions equals higher payments)	Reduce centralization
Boost efficiency in administration and combat corruption	Support more direct democratic elements in some areas
Focus on higher growth and welfare in the official sector to reduce pressure on government budgets	Encourage popular participation to increase commitment and loyalty and reduce free riding
Protect property rights and increase investment in infrastructure	Avoid attacking the symptoms through stricter controls, which encourages hiding participation in the shadow economy rather than reducing
Allow more flexible work arrangements for employees and employers (individual agreements)	Focus on reforms on institutions and systems
Reduce regulations and bureaucracy	Explain and communicate broadly the need to reforms

Summary

Whilst the level of participation in buying goods or services, which might involve undeclared work, is relatively low overall, it shows no sign of shrinking. There is significant variation between Member States, with as many as three in ten participating in Greece and as few as one in twenty in Poland and whilst, in most countries the number of people involved in purchasing these goods and services remains similar to that reported in 2007, there have been notable increases in a few countries (particularly Greece and Cyprus) and a notable drop in only one (Sweden). It is not confined to particular population sub-groups.

Europeans are most likely to purchase goods or services that might involve undeclared work from private persons or households, particularly from someone that they know, emphasizing the ‘informal’ nature of the transactions. Despite this, a sizeable proportion buy goods and services from firms or businesses. There is again regional variation with those in ‘Continental’ countries particularly likely to source from friends, colleagues or acquaintances; people in Eastern and Central Europe more likely to purchase from other private persons or households, those in the Nordic countries (and to some extent those in Southern Europe) to purchase goods and services from firms or businesses, and those in Southern Europe much more likely than in any other region to have bought goods or services that might have involved undeclared work from healthcare providers. (TNS Opinion & Social, 2014)

The solution to the problem of the shadow economy must be approached from both sides. On the one hand, the state provides the people with the correct state institutions. On the other hand, removes taxes and fees. With the right combination of these parties, the motivation to participate in illegal activities will decrease. If the state can credibly guarantee property rights and provide adequate infrastructure and public goods that meet the needs of the people, citizens will have the opportunity to pay taxes. A transparent tax system and decrease of the corruption shows that state aid is a commodity that can be bought for taxes and that this aid cannot exist if the budget does not replenished. Understanding these processes increases social responsibility, trust in the state and awareness of one’s own contribution to common prosperity.

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