Economic Resilience - Novelty In The Process Of Peaceful Settlement Of International Disputes

Prof. Ph. D Ioan Popa
Bucharest Academy of Economic Studies
Faculty of International Business and Economics
Bucharest, Romania
Assist. Diana Ramona Popescu Ph. D Student
Bucharest Academy of Economic Studies
Faculty of International Business and Economics
Bucharest, Romania

Abstract: Globalization has reached the level to which the 21 century society is characterized by the information age, technology innovation, economic, political and strategic interdependences, the establishment of regional and global organizations that have interconnected states.The new world laid a new geo-economic approach, in which the state's economic decisions depend on the regional and global economic system. The economic, social and security risks and vulnerabilities have become increasingly complex, requiring the need to analyze and implement a new paradigm of peaceful settlement in international conflicts. This article proposes, based on the primacy of the economic factor, a new systemic approach of prevention and conflict resolution, using a relatively new concept, that of economic resilience.The present article creates an overview of the concept by terminological identification of the term and includes a qualitative research that can give grounds for its implementation on the practical level.

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Key words: economic resilience, risk, conflict, economic vulnerability, globalization, economic system

1. Introduction

Technological development, information, interconnectivity and interdependence inevitably led to the multiplication of risks. The multitude of risks but also the global financial and economic crisis, IT attacks, political crisis, terrorism, all this, have imposed an increased vigilance and more deeper analysis of institutional, organizational or state vulnerabilities.

The complexity and dynamics of today's world requires a permanent reconfiguration of plans and actions for prevention, training and intervention.

States, international organizations, national or regional economic and trade structures are obliged to innovation, to define new concepts, paradigms and tools to cope with increasingly sophisticated forms of conflicts and international disputes. In the context of this necessity, it began to take shape a new innovative paradigm, named the concept of resilience.

In theory, it allows an interdisciplinary and multidimensional approach, while in practice, its implementation is desirable and challenging.

2. RISK AND VULNERABILITY IN ECONOMY

Natural resources are limited. Food and energy crisis, global warming, pollution, the demographic explosion, are realities, processes and phenomena that undoubtedly manifest, attempting sometimes to the humanity balance.As part of the driving force behind the processes of globalization, national and transnational companies are engaged in an economic battle for supremacy and for a larger influence in domestic and international policies. Globalization has transformed international relation and metamorphosed the economic, social and political spheres through a complex set of factors, connections and interdependencies. The economic actors are engaged in competition for resources, markets, influence and economic power. Globalization determined the development of a new international system, which impinge on the social and economic life, specific to each state.

Table no. 1: Classification of risks:

Natural Risks	Foreign Risks	Domestic Risks
Extreme climate phenomenons	World economic globalization, liberalization of goods and capital flows	Macroeconomic instability
Resource constraints of oil, gas, potable water which has direct action in energy and food crisis.	Information age, followed by a real cybernetic war	Fiscal and banking policies
Climate changes:global warming, pollution creates damages of the ozone layer	The emergence of new technologies; Trends of global governance	Political and social instability
	Global financial and economic crises and the aggressive policy of multinational companies	Corruption, institutional vulnerabilities
	Terrorism, barriers and religious conflicts	Human capital: degree of culture, education and training

Source:personal approach

The knowledge and prevention of such risks and vulnerabilities make the economic system better prepared, more reactive and capable of response and recovery, that is more robust, more resilient.

3. INTERNATIONAL CONFLICTS

The risks and vulnerabilities that seems to be increasingly more active has consequences not only on the economic level but also on aspects of the social, political and religious area.They start to become in the cybernetic era a real danger to humanity because they underlie the disagreements that arise between certain states, between states and international organizations, between intergovernmental organizations. In the literature, these misunderstandings are defined by a varied terminology: conflict, litigation, crisis, dispute. The intensification of domestic and regional conflicts, as we have seen, have complex and varied causes with ethnic, religious, ideological, territorial, geographical origins. However, they all have one seriously common point: the economic substrate. Most conflicts which are a constant reality, would disappear or would be much less aggressive if it were acknowledged the necessity of the welfare phenomen for each individual. Where material comforts produce education, culture, complex networking, integration, the possibility for a conflict to occur is greatly diminished and the reaction of population against the conflict is more definite.

4. RESILIENCE CONCEPT

The term of resilience comes from the technical, engineering area and defines the mechanical capacity (feature) of materials to withstand to different external shocks and to return to its original state. After 1970, the use of the concept has gradually spread, being used to describe systems which under the action of disturbing factors, go through periods of imbalance, but have the ability to resist and return to their original state. Today, resilience defines processes from technique and mechanic, ecology, psychology and sociology, philosophy, business and economy. In this respect, resilience can be defined as the ability of a system to neutralize emerging imbalances and by consuming risk, the system manages to maintain its structural and functional characteristics, using its own means of self-regulation. Resilience is a concept with variable geometry, evolutionary, that metamorphoses depending on the influential factors existing in each field of application.

4.1 Economic Resilience

Global economic competition for resources and strategic supremacy has created a natural assumption to approach the concept of resilience in economic terms, described as the behavioral response of individuals, communities, institutions, and even economies, faced with various imbalances. It is obviously that this paradigm still needs adjustments, working models, available both nationally and internationally, to identify the exact parameters in which it can prove its applicability.Starting from the basic definition of resilience, transposed in the economic environment, the concept of economic resilience can be defined by two approaches.

The first is the ability of an economy to withstand external shocks without deformation, through effective policies and well implemented cultural prevention, from individual, group, community to decision-making structures.

The second approach, given the fact that sometimes external shocks can not be totally avoided, is the strength and ability of an economy to recover from disruptions caused by external factors. An example is the 2007 economic crisis which started in the US and was like a lego game, thus affecting much of the world economy. It has been demonstrated that both the US and Europe had not considered a resilience strategy for a potential economic disaster. Therefore, it was necessary to rethink the fiscal, economic and social policies in order to adapt and recover the economic systems of the countries involved.

Thus, the ability to reduce and even neutralize imbalances either by means of self-regulation through domestic resources, either by external economic assistance and foreign investment can be another way to define resilience. The term of resilience is used in complementary with terms like vulnerability, adaptability, conversion capacity, robustness. Economic resilience is a new concept emerged as a need to respond to the complex risks, conflicts, imbalances, facing economy in the late twentieth century world. Serious damages occur when shock's magnitude is beyond conventional boundaries and therefore economic systems are found unprepared or poorly prepared.Conventional and non-conventional shocks, bend and weaken the economic systems, thereby determine cases of malfunction, unresponsiveness, imbalances, disorder and even economic collapse. Economic resilience is essentially defined by the ability of an economic system to withstand with minimal losses to shocks and to recover to its initial functional status and performance.

4.2 Coverage

Economic resilience refers to any economic system with robust and influential components of interdependence.

4.2.1 Global economic resilience

In this context, using the concept of economic resilience is purely theoretical, with no structures, institutions or decision-makers able to assess or to intercede effectively and promptly.Theoretically, economic resilience is evaluated, analyzed and interpreted in the context of national or regional interest. Unfortunately not even global threats such as climate change, scarce natural resources ,extreme weather events are treated with utmost responsibility, but rather with a carelessness, formal totally ineffective attitude.

4.2.2 Regional economic resilience

Regionally, the interests are more concrete, systems interdependence is more obvious and thus the pressure to find solutions to conflicts and risks is higher. Worldwide, has been formed a multitude of regional economic associations. The highest level of regional integration and interdependence is the European Union.Another two cores-centers of the world economy are The North American Free Trade Agreement and The Association of Southeast Asian Nations, created to accelerate the region's economic growth, social progress and cultural development. In addition, states decided to join associations of subregional importance such as: GUAM - organization whose name is formed from the initials of the states that compose Association of Georgia-Ukraine-Azerbaijan-Moldova, which aim is economic cooperation and political support; CIS – Commonwealth of Independent States which posses coordinating powers in the realm of trade, finance, lawmaking and security; MERCOSUR- Common Market of the South is a sub-regional international organization, formed in South America, its purpose is to promote the free movement of goods, services and people among member states; OPEC – The Organization of the Petroleum Exporting Countries which has as mission to coordinate and unify the petroleum policies of its member countries and ensure the stabilization of oil markets.These structures of integration and inter-association led to a considerable development of markets, production of goods, labor and capital, stimulated competition, brought progress in research, innovation and technology, increased production and efficiency. In this context, but in a much more discreet and concrete economic interest emerged transnational corporations, that have broken territorial, political or ethnic barriers and acquired a huge economic force, often much bigger than the one of a state.The extremely dynamic and fluid economic interests both national and regional ones requires the need to assess the regional economic resilience in order to establish the ability of that economic zone to face risks, vulnerabilities and conflicts without major consequences.

4.2.3 National economic resilience

The economy of a state consist mostly in productive activities, subjected to precise rules, which were intended to produce goods and services for the needs of the respective country. A national economy is subject to careful analysis involving development strategies, economic, political and legal measures, so that the country's macroeconomic path to bring welfare. Research on the resilience of a national economy is a continuing duty of state decision-makers in order to reduce risks and vulnerabilities and the severe measures experienced by population to be diminished. One example is that of Romania when the major global economic and financial crisis, which started in 2008, had serious consequences. If instead of superficiality, of unprofessionalism, of misgovernment, there had been a complex analysis of both domestic and international signals that were given between 2005 and 2007, if it were made a correct assessment of the national mechanisms on social economic and financial level, in other words if it were analysed the economic resilience at the time, Romania would not have incurred subsequent dramatic measures.

4.3 Characteristics of economic resilience

Economic resilience is a systemic concept comprising a complex of interrelated features that give or not resilience to an economic system. Characteristics of resilience can be grouped as follows:

Robustness defines the domestic, structural capacity of an economic system to maintain its performance despite unforeseen changes, endogenous and exogenous threats. We previously presented the great variety of risks and vulnerabilities facing an economic system. Once identified and analyzed, it can be established actions and decisions to strengthen the economic system and its sectors (financial, informational, technological, human resources). Robustness means financial reserves, capacity for self-organization, organizational culture, investment policies in technology, research, marketing analysis, social cohesion, trade relations. Investing in a robust economic system costs less than the recovery of a vulnerable economic system with a low robustness. Flexibility represents the correction ability and adjustment of imbalances and smooth recovery after shocks. Economy flexibility is a complex and multidimensional concept, being assimilated to systemic, dynamic but homogenous structures. It is both a tool and a resource for the economic resilience's strategies which cope to the technological, economic, social, political, environmental changes. The main components that generate a flexible economic system refers to research, innovation and development in finance, marketing, human resources, functional hierarchical structure.

Adaptability is the multifunction capability of an economic system to generate and apply consistent and strategic measures at organizational level, to efficiently withstand vulnerabilities and risks. Adaptability as a form of economic resilience is a process that is triggered because of external challenges and depends on the robustness and flexibility that must characterize the economic system.

Adaptability is defined as the capacity of integration, assimilation and functioning in a normal environment in terms of economic, social and political. An example is the integration of former communist countries into the European Union.

Conversion is the economic system's ability to partially or totally restructure its components in order to ease constraints. Conversion means that, facing a new context and a new structure, the system adapts to external conditions and its components revert to their homogeneous, functional and efficient characteristics. In literature, economic resilience is often treated and defined by a single component. In some authors point of view, an economic system is resilient if fulfils just one of its characteristics, namely: robusteness, flexibility, adaptability or ability of restructuring. We believe that an economic system is resilient if it has all these features and whether they are capable of reaction when circumstances require.

Resilience means that the robustness, flexibility, adaptability and portability are intrinsic components of the system, structured by complex measures, applied to it. When risks and vulnerabilities affect the economic system, its resilience is subjected to pressure on all its components, often in a multidimensional context.

4.4 Measure of resilience

The concept of economic resilience is considered a new paradigm, determined, as we have seen, by the complexity of the world's economic situation, the challenges facing the humanity, the need to promptly react to risks and vulnerabilities **(presented in Table 1**). Measuring the resilience of an economic system is a complicated and multidisciplinary task, which requires a complex analysis. In literature there are few attempts to measure resilience, especially when it comes to regional or national resilience. Currently, reserchers have not came with a set of indicators, widely accepted, to measure resilience in its entirety. The main objective of this article is to present a documented approach of a set of indicators that highlights the measuring intrinsic tools through which an economic system can counteract the spread of disruptive factors.

Table no. 2: Indicators that influence the economic system

External indicators of the economic system	Intrinsic indicators of the economic system
Establishing the complexity of disturbances in the economic, social, political, religious;	The quality of management
The aggressiveness of disturbing factors	Key performance indicators
Recovery time after a disruptive situation	Level of financial resources
Key performance indicators during a disruptive situation	Technological level as well as the research and innovation capacity
Contentment of the community	Professional structure and degree of labor cohesion
The level of political and social instability	Marketing strategies

Source:personal approach

An accurately measurement of economic resilience may provide the decision makers, a pertinent analysis about the robustness, elasticity and adaptability of an economic system

5. THE RELATIONSHIP BETWEEN THE CONCEPT OF ECONOMIC RESILIENCE, CONFLICTS AND INTERNATIONAL DISPUTES.

Whether we refer to the national, regional or global level, the major interest, in coping with conflicts and international disputes is increasingly focusing on the need for a different and complementary approach of risk management, with emphasis on prevention and adaptability. It is well known that regardless the nature of an international dispute, it has a profound economic substrate, economic imbalances being the reason of the outbreak of a conflict.A strong economic system that provides resources and local balance, retrieved in community's contentment, diminishes miscellaneous complaints.We understand, in this context, the complex interdependence between the economic resilience of a system and its regional security, namely between economic resilience and various conflicts or crises. A resilient economic system may prove decisive in preventing, analyzing and resolving disruptive situations that may occur in its area of action.Regardeless of the conflict nature, be it economic, religious, social, the resilience analysis of the affected system must be based on a set of indicators, previously presented in **Table 2**

Economically, the resilience of a system provides opportunities for a better production and retail integration, resulting in an increased number of foreign partnerships.A resilient system eliminates the vulnerability, prevents financial and economic crises, respond effectively to the aggressive policy of multinationals, creating the premises for macroeconomic stability. Extreme natural events, global warming, scarce natural resources are realities that concern humanity. In this respect, a resilient system has the financial and human resources that enables it to take measures with minimum repercussions. A resilient economic system assures, as a whole to part, efficient transfer of the financial, technological and human resources without procedural delays.

In the social sphere, a resilient economic system guarantees a powerful and dynamic economy, which absorbs labor force, generates stability, qualitative services in education and health care, provides social and territorial cohesion, ensure environmental protection. Reducing unemployment, providing good social services, professional achievements and contentment are essential elements of strong social peace. Thus, the system can prevent high risks as strikes, protests or disruption of activities, that might lead to economic instability corruption and social crises.

Regarding religious risks, ethnic support system is based on values related to the ethnogenesis, culture, customs and traditions, language and religion, way of living and a certain collective psychology. Ethnic disputes are a historical reality, having multiple complex causes as political, social, cultural, territorial and religious ones. Practical analysis has shown, however, that most of these differences and conflicts have strong economic base. When the economic security of an ethnic group is in danger, there are sharp differences in terms of welfare, unemployment and social services. Thus, the competition for opportunities, energy resources, privileged positions can easily turn in conflict. In modern times, the scientific progress, technology, globalization, remove barriers, allows the movement of capital, goods, services and labor. This aspects become reasons for religious conflicts. Studies over declared religious conflicts, majority triggered by poor countries population, clearly shows that the true causes consist mostly in poverty, ignorance, overcrowding, lack of vital resources for life, like water. When the economy produces contentment and provides education, culture and health, equally religious and ethnic disparities fades.

Therefore, the new world order implies resilient economic systems at national and regional levels. It requires a rapid proliferation of powerful economic systems characterized by robustness, resilience, adaptability and conversion, allowing a less antagonistic future world, more responsible and better educated.

We previously presented the conditioning interdependence between economic resilience of a system and its vulnerabilities which can lead to international disputes and conflicts. According to the risks and challenges that an economic system is subjected to, taking into consideration the characteristics and nature of shocks, economic resilience has the following roles: prevention, mitigation, conflict resolution.

5.1 Risks prevention

The approach of economic resilience in terms of its function of prevention is essential, because such economic system is created, from the beginning, as a robust, dynamic and flexible structure, prepared to react to potential conflicts. This function represents the ability of a system to identify and assess risk factors and the degree of exposure. An economic system is a structure with strong interdependence of social, political, legal, religious, demographic, which is bound to have a multidimensional understanding of all its components. Building a resilient economic system involves the development of a specific legislative framework, procedures and working structures, financial and human resources, social synergy, promoting and implementing the culture of anticipation and prevention.The prevention culture allows an economic resilient system to interfere in diminishing domestic risks, due to some previously assessments regarding the intensity they manifest. Prevention requires macroeconomic stability, efficient public institutions, smart financial and banking strategies, political and social cohesion. This function is extremely important in analyzing and counteracting extreme factors, given the economy globalization, the free market of goods and capital, technology, expansion of multinationals, but also the sensitive religious context.

5.2 Mitigating risks and conflicts

This funcion acts during and after the manifestation of disruptive factor and represents the ability of an resilient economic system to settle and to limit the consequences of an ongoing conflict. The resilient intrinsic resorts of an economic system reacts efficiently to prevent further conflict propagation. The balancing function of resilience stems from its characteristics of being robust and adaptable. The robustness of the economic system, enables it to have input capacity, countermeasures in real time of predictable or unpredictable shocks, in order to mitigate their action. The adaptability of an economic system generates innovation, rapid ways of operating, new systemic opportunities, capacity of modifying the attacked parts of the structure. The importance of mitigation of conflicts is important for the economic system, because it avoids the collapse and creates the basis of conflict settlement without major damages.

5.3 *Conflict resolution and recovery*

The economic system's ability to find resources, methods and tools for solving conflicts with minimum consequences, to recover immediately expresses the settlement function of economic resilience. This function operates after the disruptive event manifested. This point of conflict is the hardest for an economic system, which must involve its entire resilience and robustness to rebuild and return to its initial state, so that to protect its other functional structures.

6. CONCLUSION

The concept of economic resilience is still under research, analysis and debates, being an extremely complex procedure that involve proper and long standing information over the entire spectrum of manifestation of an economic system. Measuring the economic resilience of a system involves research, negotiation and economic diplomacy in order to obtain a systemic picture and identify possibilities of preventing and solving conflicts. In literature, the concept of resilience, although not sufficiently substantiated, has more and more consistency, precisely because of lack of innovation for peaceful settlement of disputes, in an era of great complexity and interdependence affected by countless economic and financial crises, natural disasters, terrorism. In a global perspective, the economies are interlinked, influencing each other, which demand to consider and analyze the economy of a state with references to the implications that may occur in the rest of world. This article represents a qualitative analysis to underlie the concept, by defining its features and functions. Therefore, brought its contribution through a personal and documented vision, regarding a new concept which can become a process of international economic conflict resolution.

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