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‘It’s not just the economy, stupid’. The multi-directional security effects of the private sector in post- conflict reconstruction

Mary Martin and Vesna Bojicic- Dzelilovic

ABSTRACT

Using human security lens, this article explores the interface between transnational corporations (TNCs) and post-conflict, post-crisis societies. It demonstrates how TNCs influence political and economic transition, through impacting the everyday experience of security, creating multiple and ambiguous effects on individuals and communities. Examples of two foreign corporate engagements: carmaker Fiat's investment in Serbia and steelmaker ArcelorMittal's takeover in Zenica in Bosnia-Herzegovina are used to illustrate the density of relationships between global companies, host governments, civil society and local communities whose effects extend beyond economics to broader aspects of the conflict space, and have a bearing on the transition and reconstruction agenda. Our findings question the quality of development and industrialisation policies championed by post-conflict reconstruction approaches, and challenge the assumption that economic growth and investment by foreign companies in particular, will necessarily deliver peaceful transition. The article contributes to the scholarly debate about the connection between security and development, and to policy discussions about appropriate means for reviving economies within externally led peacebuilding and conflict prevention initiatives.

Key words: post-conflict reconstruction; foreign investment; human security

Words: 8,030

Introduction

Security at the level of the everyday has increasingly occupied academic and policy discourse over the past two decades. Propositions such as the security-development nexus, community or citizen security, resilience, and the concept of human security invite us to consider forms of insecurity encountered by individuals and groups, how to increase the ability of conflict and crisis-affected societies themselves to protect against disruptive economic and political shocks, and to reframe external security and development assistance to take account of the complexity of grass-roots experiences.¹

Business intersects with this everyday understanding of security and with the resilience of individuals and communities in many ways. As employers and resource actors, companies are a source of material security for workers and local communities, and both providers as well as users of public goods. They create and are embedded in dense networks of social relationships and material practices, involving states, civil society actors, international agencies and individuals. In post-crisis environments, their presence creates heightened expectations and fears among local populations since their impact as a single actor is proportionately greater than in stable societies. Global businesses in particular deploy considerable leverage over other actors, creating productive sites of wealth generation, but also tension between the international market and the local context.

This article explores the multidimensional interface between the private sector and transition societies affected by war and crisis to show how global companies as a discrete category of the global private sector interact with the everyday experience of security in these contexts, creating multiple and ambiguous effects on individuals and communities. Using a human security lens to investigate this interaction, we capture the consequences of

corporate agency, reframing it as doing more than engendering economic outcomes and processes, in order to overcome binary accounts² that prevail in the dominant discourse portraying the role of the private sector in post-conflict reconstruction as either predominantly positive or negative.

The entry point for our analysis is the transnational corporation (TNC), as a discrete category of actor within the political, economic, social and cultural environment of post-conflict.³ While we recognise that TNCs are not all the same, or will act in ways which necessarily can be generalised, we are interested in how TNCs enter into the dynamics of transition, navigating between the demands of distant stakeholders and an ecology of states and societies reshaped by the experience of war; and how this manoeuvring influences grass roots security and with what implications for the transition itself.⁴

Empirically, we draw on two examples of global business investment in transition societies with recent experience of armed conflict to illustrate the complexity of TNC engagement. Rather than using the example of resource rich, low income countries in conflict which provides the setting for the majority of private sector impact studies in peacebuilding scholarship,⁵ we examine two cases in middle-income countries, Fiat in Serbia and ArcelorMittal in Bosnia- Herzegovina. Through selecting cases of different industrial sectors in the Western Balkans⁶ we hope to enlarge the availability of contextual data on foreign corporate interventions, and while not offering a comparative analysis of the two cases, identify common patterns of hitherto low visibility effects of foreign investment on human security. The case studies are based on a total of 27 individual interviews and respondents in focus groups, some of which have been repeated, with company workers, management, trade unions, representatives of local community, civil society and policy makers in Serbia and Bosnia-Herzegovina conducted between 2010-2015.

Our findings demonstrate the diverse, often paradoxical, indirect and invisible outcomes TNCs engender within host countries, for individuals, communities and policy elites. They question a view of foreign companies as ‘neutral’ transmission channels for the supposed beneficial effects of economic reform, and provide evidence that corporate encounters with conflict societies are more complex than simply fuelling conflict, insecurity and human rights abuses. We hope to contribute to the wider scholarly debate about the connection between development and security, to arguments about the quality of post-conflict growth in terms of equity, social justice and sustainability of employment and livelihood opportunities, and the importance of emotional and psychological factors behind economic and political transformations. We also hope to inform policy discussions about appropriate tools of externally led post-conflict reconstruction and conflict prevention initiatives.⁷

The first part of the article examines the two dominant paradigms for analysing corporate behaviour and impact in post-conflict reconstructions and underlines their shortcomings. In the next step, a human security approach is developed as a complement to the existing explanations on the links between security, development and the role of global business, and as a framework for analysis. The second part provides a brief overview of the transition context in the Western Balkans, as the setting for our empirical investigation. The section after presents the two cases studies, showing processes of change unleashed as a result of corporate intervention, and how these affect experiences and perceptions of security, and individual vulnerability in the host communities and wider local society. The penultimate section summarises these findings and in conclusion we reflect on the dynamics they reveal about the private sector in transition environments, and the implications of a human security view of corporate behaviour for existing approaches towards business management and public policy in the post-conflict space.

Corporate actors through a human security lens

Business operations are significant in post-conflict and post-crisis recovery because they contribute to economic activity and regrowth, and are potential conduits for sustainable development, community resilience and conflict prevention.⁸ At the same time, recovery entails a reworking of social dynamics and local capacities;⁹ thus it is likely to produce tensions through marginalising parts of the population or exacerbating inequalities, and disrupting settled practices and institutions on which individuals have come to rely. In post-conflict, post-crisis contexts, such dilemmas are accompanied by a recognition that the beneficial effects of growth, industrialisation and investment cannot always be assumed.¹⁰

Two paradigms- one dominating the mainstream liberal peacebuilding discourse and the other formulated within a discourse on human rights and governance- inform the agenda of external intervention/assistance to peace and state building which promote economic liberalisation and market forces.¹¹ The first provides a permissive space for foreign investment to expand in transition environments, and privileges the economic aspects of corporate presence in post-conflict, post-crisis recovery and reconstruction, treating companies as neutral or passive vectors for economic change. Such a reductionist view risks that the business contribution to transformation becomes over-generalised. Ganson and Wennemann note that, the liberal peace turn in policy practice pursued by international financial institutions in particular, has fetishized markets and national level liberal economic institutions, and ignored the influence of corporate interventions on economic, political and societal transformation at the local level.¹² The attention paid to global business within the policies and politics of post-conflict transition thus reifies its role as an economic/financial agent. Moreover, it frames business as itself deserving protection against locally dysfunctional regimes- for example through a strong emphasis on anticorruption and FDI-

friendly legislation. Such an approach perpetuates a classic model of corporations as wealth maximisers, internalises the benefits of foreign investment and tacitly accepts a relationship of dependency by government and civil society on foreign companies, even while it challenges other forms of dependency, for example on external aid.¹³ Importantly, the approach of introducing classic development mechanisms into conflict-affected settings overlooks the significance of distinctive operational and political relationships between companies, governments and civil society on the ground.¹⁴

While TNCs are portrayed as transmission mechanisms for economic reform and growth, or ‘least-worst’ forms of delivering public good, in the absence of functional state administration,¹⁵ they do not exist in a vacuum.¹⁶ They operate within a complex landscape of local society, as context-specific sites of social interaction where behaviour and norms are produced and where forms of authority over people, property and functions are created.

A critical stream within security studies, as well as a global governance agenda on business and human rights, is more explicit about corporate agency, focusing on predatory behaviour, and the capacity of companies to ‘do harm’. Here we also find accounts which attempt to explore a more positive role for corporations connecting corporate responsibility to contributions to peacebuilding and conflict prevention, both mitigating and enhancing business behaviour and norms.¹⁷ This stream also acknowledges that perverse collusion by foreign companies with local structures is part of the predation problem, which produces unintended consequences in terms of development objectives, and influences social welfare in conflict affected societies.¹⁸

Rather than treating corporate contributions to development transformations either as a ‘black box’, with taken-for-granted consequences, or viewing foreign investment in terms of its capacity to abuse human rights and frustrate justice, studying TNC impacts through a

human security lens offers a granular approach seeking new vantage points from which to view the security-development interface and allowing for a more detailed analysis of what happens where foreign investment and fragile communities meet. The aim is to identify how business operations impact stress factors and the dynamics which exist at grass roots in conflict societies, zooming in on personal vulnerability and uncertainty.

Human security has been put forward as an alternative to traditional state-based understandings and practices of security, which frames security threats in terms of everyday issues of material welfare, physical safety and psychological wellbeing.¹⁹ Unlike classic state security with its primary focus on the defence of territorial integrity, the guarding of sovereign power and maintenance of order, human security asserts individuals (also groups and communities of individuals) as the prime referent object to be made safe.²⁰ While motivated by a normative ambition to protect and empower individuals, it also serves an analytical goal of capturing a context specific perspective, which promises a counter-weight to top-down, elite explanations of social, economic and political action. A human security approach foregrounds lived experiences, and highlights the exposure of individuals to multiple and interconnected forms of insecurity, so called ‘entangled vulnerabilities’, both chronic and immediate.²¹ In the conflict and post-conflict space human security draws attention to personal experience and individual agency at moments of crisis and dislocation. It evaluates the severity and scope of downside risks and how these might be mitigated.²² It is an approach based not just on understanding the nature and level of threats, but on reifying individual agency as meaningful, even in settings where it could be supposed that people’s ability to act and influence their own circumstances and social outcomes might be minimal.²³ The individual in human security is not an isolated being, but socially situated or ‘attached’, her essence and individuality arising through social relationships.²⁴ Thus, human security seeks to take into account objective, subjective and intersubjective understandings

of security and examine how individuals and groups of individuals react to challenges to their material, physical and emotional safety in their totality. It applies a relational perspective to analyse the sources of both vulnerability and response. It seeks to identify and understand not only the direct and intentional effects of actions (including policy) but also those effects which arise inadvertently and indirectly, through the interactions of multiple actor/stakeholders.²⁵

Conceptual thinking on the link between human security and the role of the private sector in conflict and post-conflict is of relatively recent vintage and is yet to incorporate important insights from a business-centric literature which examines corporate behaviour and the interpenetration between business and society.²⁶ Management studies and ethnographic and socio-political investigations of corporations, which look at the personality of corporations and how business instrumentalises different types of power and resources, take as their focal point business relations and the interpenetration between governments and communities.²⁷ For example, the 'state of exception' thesis captures the way host governments and foreign companies interact, with the latter deploying relative power advantages in terms of material resources and potential for economic development, to establish its own rules, norms and parallel structures within the jurisdictional authority of the nation state.²⁸ The proposition is that TNCs are able to create sovereign spaces which benefit from preferential rules of taxation, administration and worker rights, and which create new forms of inclusion with extraordinary political and economic advantages. Companies are able to wage bargains with workers and with public authorities within these spaces, offering material benefits, but at the cost of increased pressure to perform, and uncertain tenures of employment. What we can draw from this analysis is that foreign companies use their advantages (financial and knowledge resources) to accrue further gains, which may be at the expense of individuals, and that they do so within a transactional relationship with

government, and to a certain extent other non-state, local actors. It is this relational aspect of TNC behaviour, particularly in contexts where the government as the key local partner is rendered weak, dysfunctional by conflict, and often lacking development capacity and will for constructive engagement, which is absent from macroeconomic analyses and deserves to be explored in terms of how it affects the predicaments of individuals in the workplace and the community.

Drawing on these insights, we argue that a human security framework is able to say more about the scope and nature of business impacts in conflict settings through its explicit focus on individual experiences and manifestations of vulnerability, by highlighting the context of interactions between corporate behaviour, personal insecurity and individual agency,²⁹ and by privileging interconnectedness – of both threats and actors rather than a search for causal links between TNCs and economic outcomes.

The context: triple transition in the Western Balkans

A long process of unravelling of former Yugoslavia in the 1980s took place in the context of severe economic crisis. Liberal economic reforms to resolve the crisis failed and opened a path to populist politics around ethnic identity, which contributed to a collapse of multi-ethnic socialist Yugoslavia as a single country.³⁰ The seven new successor states have for most of the last 25 years, at different pace and with differential success, been grappling with the challenges posed by a triple transition- from armed conflicts, regime change and state formation. Each of those transitions on its own is a monumental task for any society; their conflation in the Western Balkans made the associated process of social change more intricate and disruptive, leading to successive cycles of political and economic crisis.³¹ A triple transition entailed a profound social transformation³² whereby social structures, actors, rules and norms regulating those societies were redefined. Central to this process was the

reconstruction of social identities and in particular the creation of ‘aggressive ethnic identities’, which caused massive physical and social dislocation of large groups of people, and shaped the economic, political, institutional and governance context of these societies.³³

Power structures that emerged through a conflation of armed conflicts and political and economic liberalisation underwritten by identity politics have given shape to divisive political and economic systems, characterised by weak rule of law, and exclusionary structures of opportunities, including along clientelist and kinship lines. In the context of war-induced economic stagnation and material deprivation, social entitlements and constitutive rights were overhauled, which pushed many individuals, households and communities into a precarious position in terms of life chances and everyday survival, and heightened existential uncertainty.³⁴ This type of governance by self-seeking elites - focused foremost on resource distribution rather than mobilisation of developmental resources for the public good- has compounded the process of erosion in social relationships. Across the Western Balkans a form of ‘differentiated citizenship’ has emerged whereby despite formal equality, some groups experience different forms of discrimination, and denial of basic social and citizenship rights.³⁵ The socio-economic situation varies across ethnic-groups, which alongside widespread corruption and nepotism which operate as another axis³⁶ of division and discriminatory practice-both between and within different groups-, has contributed to an erosion of trust both in institutions and at inter-personal level, and the culture of distrustful politics.³⁷

Stagnant economies, which took years to recover to pre-war output levels, contributed to rising inequalities and social polarization. Poverty has increased and its profile changed, as a class of ‘new poor’ are drawn from a former middle class- which coupled with the rise of new wealth often through illegal and criminal means- is a distinctive mark of triple transition

in which economics, identity politics and violence combine in socially disruptive ways and create persistent uncertainty for ordinary people.³⁸

At the personal level, the impacts of institutional and societal transformations are manifested in approaches to policy making, for example in how foreign investment is perceived and encouraged in post-conflict reconstruction. ‘Selective paternalism’ which stems from a lack of separation between public and private governance is manifested in discretionary exercises of power, poor property rights protection and lack of state accountability for its actions.³⁹ Privatisation, a flagship economic transition policy reform⁴⁰ designed to provide the initial boost to foreign direct investment, turned into a controversial policy in the light of growing evidence of mismanagement through collusion between political and economic elites across countries and industries, notably manufacturing concentrated in large communist-era conglomerates.⁴¹ In the eyes of the general public and the workers of the companies involved, it was an unjust, corruption-prone process that benefited narrow elites at the expense of workers’ rights, and public interest. Such perceptions negatively affected corporate governance, the scope for enterprise restructuring, employer-employee relationships as well as the trust in public institutions⁴² necessary to support developmental transformation in the Western Balkans. Labour was also weakened by privatisation⁴³ which pitted workers against new managements. Weak civil society as a legacy of the socialist era compounded the problem of weak state capacity and willingness to conduct reform processes in a socially ameliorative and economically effective manner.⁴⁴ Former Yugoslavia’s unique legacy of a workers’ self-management system was important not only in shaping negative attitudes towards local governments’ capacity to manage economic reforms competently, transparently and responsibly, but also in contributing to heightened expectations as well as fear towards foreign investors. In such a context, TNCs were able to operate with fewer restrictions in pursuing their interests and to exercise greater

leverage in setting the terms of inward investments. At the same time, overcoming the constraints posed by a triple transition required TNCs in the Western Balkans to navigate a terrain of disruptive social relations underpinned by a struggle for the access to resources and limited economic opportunities, in a politically fragile context.

Case studies: Fiat in Serbia and ArcelorMittal in Bosnia- Herzegovina

This section investigates empirically the impact of TNCs presence through examining how corporate behaviour shapes individual and community experience and perceptions of security, and the interactions between business, workers, citizens and government elites as a result of the establishment of two foreign production plants, in the aftermath of regional conflict.

Fiat

On 23 December 2009, Italian car group Fiat completed a deal to take a 67 per cent majority stake in a new joint company Fiat Automobiles Serbia (FAS), created out of Serbia's oldest and largest industrial conglomerate Zastava, based in the regional city of Kragujevac. Fiat agreed to invest €700million in the company and develop it as a world class manufacturing and export base for its model 500 car. By 2016, FAS had become the biggest exporter in Serbia selling €663million of cars in the first half of the year⁴⁵ in line with expectations of a positive economic role for TNCs.

The Zastava plant was a rusting and polluted industrial site, which had been bombed during the NATO campaign of 1999. Fiat refurbished the plant and committed to employ an initial 3000 out of a workforce which before the war had reached 20,000 people, and undertook to produce 200,000 cars a year. The initial impact of securing employment for part of the original workforce has been tainted by substantial fluctuations in job numbers, due to the cyclical nature of the international car market. Since 2013 there have also been repeated

production halts, pay cuts and in 2016 Fiat announced a change in the terms of its agreement with the government, under which it would lay off of a third of the workforce. The company justified its decision as necessary to cope with a 16 per cent fall in demand, illustrating the tension between global performance targets and local priorities. While such practice is normal for a commercial private enterprise, it contrasts with the experience of pre-2009 Zastava as a typical socialist state conglomerate. From a vast, sprawling site which dominates not only the city of Kragujevac, 138 kilometres south east of Belgrade, but also industry in the surrounding region, the factory was the cornerstone of a social system of employment, housing, education and welfare. It started to disintegrate during the wars of the dissolution of Yugoslavia, and was impacted further by UN sanctions. After the fall of Milošević in 2000, Zastava rebuilt production partly through assembling Fiat models or by using foreign technology to develop new versions of its Yugo model. In May 2008, when the government opened negotiations with foreign carmakers about the purchase of a majority stake in the company, Fiat was selected largely because of a history of collaboration with Zastava over the preceding decades. The deal with the Italians was made public just one week before elections in June 2008, which were won overwhelmingly by a liberal coalition headed by Boris Tadić, on the promise of a pro-European future for Serbia. The importance of the company for the local economy and electoral fortunes of the Tadić government is acknowledged by Fiat.⁴⁶ The new company became a project of ‘national interest’.⁴⁷

Fiat’s human resources and management policies however represented a rupture with former Yugoslav self-management practices. Under the deal, Fiat retained one in five Zastava employees from the original workforce. Those kept on were mostly aged between 30 and 40, and were sent to Turin in Italy for retraining. After the 2008 global financial crisis Fiat scaled down jobs and introduced short-term employment contracts delivering a major socio-cultural, as well as economic jolt to the city. As part of the retrenchment Fiat also cut its support to

local sports facilities, which had previously exemplified its commitment to the civic life.⁴⁸

Workers believe that rather than Fiat delivering a European future, Serbia remains marginal within Europe's market economy. Compared to European production centres wage levels are a third lower than Poland and a fifth lower than Italy.⁴⁹ The much anticipated 500L model, produced at the plant contains little local content and is unaffordable for most local people.⁵⁰ Nonetheless, the Kragujevac plant is an example of a corporate vision representing the transformational impact of a global company. It is an island of technological excellence, separated physically and metaphorically from the rest of the city and the region. Tight security on the entrance gates which deters chance visitors and controls within the plant are a visible sign of how the company regulates this inner world. The company has introduced its own norms and practices which limit interpenetration of the plant by the city/region. Fiat has restricted aspects of integration into the local community in favour of creating new practices and institutions which are more closely aligned with its own objectives. Underpinning its changes is the sense that it does not want to be 'contaminated' by local contacts.⁵¹

Employment at Fiat favours younger workers – the average age is just 31- which accentuates age discrimination in an economy with few employment opportunities for older workers. Apart from age, other qualities differentiate between those included in the Fiat's workforce and those left out. Status is accorded to being a certain kind of person – young, healthy, active (both socially and physically) and well-dressed. For the first few years of the joint venture, Italians and Poles dominated management positions, and were regarded as norm setters in changing the working culture of the plant (Poland is the location of the other major Fiat production plant in Eastern Europe), which adds to the inferiority feeling among the local management. In 2015 Italians accounted for between 30-40 per cent of management

positions, a ratio which caused shopfloor workers to complain that they have limited opportunities for advancement. Allegations that personal connections and friendships with people in senior positions are needed for promotion further illustrate the tense relationship that has developed between the new management and employees who draw on different registers of corporate behaviour. In Zastava, 90 per cent of top management appointments used to be political. Workers believe that an insider system for promotion still prevails, but personal interests have replaced political connections, and human resource (HR) strategies are still subject to certain forms of corruption, based on knowing someone in the Italian hierarchy.⁵²

HR policies include providing facilities for young families of workers. FAS has built a playground, created scholarships for workers' children and holds open days where employees are encouraged to bring their families onto certain areas of the site to enjoy the facilities. In some cases, such as in the provision of kindergarten places, this social provision fills a gap in public goods provided by the municipality. Fiat shapes education in Kragujevac, partly by providing facilities for employees' children within the plant, partly by influencing city schools, for example, encouraging the introduction of Italian and robotics courses. The local high school in Kragujevac responded by reorganising its curriculum to match company requirements, reflecting the expectation of the company's long term presence in the city.

For the company, education is not just a target for philanthropic interest but a key means of creating the type of workers it needs for the plant of the future. Similarly, safety training is not only an important part of worker relations inside the plant but is a way in which Fiat engages with citizens outside. Fiat staff conduct classes on safety procedures in local schools. Healthcare is outsourced to a private provider from Belgrade for cost-effectiveness in preference to using local facilities, creating a further division between those inside the plant and those outside who rely on a public service which remains underdeveloped

Fiat has also reshaped everyday life in Kragujevac by changing social relations through the shift in employment demographics. One former worker explained it as: ‘An old guy loses his job as an accountant in the plant, but he then opens a bar which his son, now hired by Fiat, can go and drink in’.⁵³ Job cuts also fuel a belief among citizens that some groups are privileged over others to keep their positions. This points to the difficulties that minorities such as Roma and disabled, once given guaranteed access to workplaces in the plant, face in finding jobs with Fiat.⁵⁴

Fiat has also redrawn the relationship between business and government. Although Fiat’s intervention ended state ownership of Zastava, close links with the government remain. The government plays an active role in constructing FAS as an exceptional entity. When Fiat revised production targets, the government paid Fiat €10,000 per job to create 1400 new posts at the plant. Such practices cast a new light on FAS’s reputation as a flagship for Serbia’s transition to a modern liberal economy, and its ability to attract foreign investment has to be seen in terms of the government’s eagerness to demonstrate economic benefits from the deal. At the same time, the government has found its decision-making powers both enhanced and circumscribed by the presence of Fiat. Despite not being a member of the EU – Serbia has been invited to join the European Union Automotive Committee – which sets competition, production and environmental standards for car makers, thus improving its access to international economic and political forums. At the same time, Fiat and other foreign investors have unprecedented leverage over government decision-making through the embassy network, the increasing power of employment associations controlled by companies, to negotiate wages and a system of ‘White Books’ which hold government ministries accountable to the foreign private sector.

The effects of Fiat’s investment in Zastava are evident in various ways. The fluctuation in employment prospects, the introduction of new skills and welfare provision

represent direct and visible consequences of Fiat's engagement. Yet these consequences have been felt differently at the level of individuals compared with the national level. At the national level there have been economic and political benefits. The company is seen as the poster child of Serbia's transition, it has produced record export earnings and afforded the country an improved 'European' status from hosting a major international manufacturing plant. At the level of individual workers, the impacts have been mixed, bringing jobs and benefits to those with continuing employment, but aggravating uncertainty across the wider community and disrupting relationships at every level from the personal to the political. Workers and citizens have reacted to the uncertainty associated with exposure to the global market place by highlighting increased social tensions and pervasive feelings of mistrust in place of the solidarity ethic which had previously underpinned relations between the car plant, the city and the country, and which had been strained by the recent experience of war.

ArcelorMittal

ArcelorMittal Zenica (AMZ)⁵⁵ became a member of the world's largest multinational steel company ArcelorMittal on 14 August 2004 through the sale of shares owned by the Bosnia-Herzegovina Federation⁵⁶ government. The value of the privatisation deal was reported at \$280million, which included a commitment to invest \$200million.⁵⁷ At the time, this was the single largest FDI in Bosnia- Herzegovina. Before the break up of former Yugoslavia, BH Steel under the name Željezara Zenica, was the largest steel maker in the country. Locally in Zenica, a city located some 60 miles North of the Bosnia- Herzegovina capital Sarajevo, 'the company was the city'. Together with its ancillary activities, the company employed some 22,500 people, and supported development of other industries in the central Bosnia region. It was a principal investor in physical and social infrastructure, including local university which hosted a regionally renown metallurgy research institute.

The Zenica region has been one of the economically more depressed parts of Bosnia-Herzegovina since the 1992-1995 war, with one of the highest unemployment rates in the country.⁵⁸ In this context, the arrival of ArcelorMittal, a global leader in the steel industry, provided a lifeline for Zenica's regional economy. By 2014, 10 years after ArcelorMittal took over BH Steel, and despite turbulence caused by the global economic downturn in 2008/9, AMZ was Bosnia- Herzegovina's second largest exporter. Moreover, it increased its share of the Balkan steel market from around eight per cent to 46 per cent.⁵⁹

The sale of BH Steel to ArcelorMittal followed a five year struggle under the joint ownership⁶⁰ of the Bosnia- Herzegovina Federation government and the Kuwaiti consulting and investment company to restart production after the 1992-1995 war. The inability of the Bosnia- Herzegovina Federation government to turn around the relationship with the Kuwaiti investor and begin the process of company rehabilitation, left the destiny of the company in the hands of the management. It took them three years to find an investor to fund the implementation of a recovery and restructuring plan whose centrepiece was an investment in restarting integrated production,⁶¹ which provided doubling the capacity to 2.2 million tons of steel and required 4,500- 5,000 workers.⁶² BH Steel management's vision was to turn, in partnership with industry leader ArcelorMittal, the former ailing steel maker into a cutting edge manufacturer, by utilising existing knowledge, experience and tradition.⁶³

A very few details from the privatisation contract are publicly available other than on the technical aspects and the total workforce, which is a source of lingering suspicion among the company employees and citizens of Zenica. Some of the key aspects of the privatisation agreement concerning the production capacity and employment have not been met. Although integrated production started in 2008, the total output of around 700,000 tons is below the pre- war level and significantly below the installed capacity. This has resulted in significant job losses from around 4,800 employees on the register at the time the contract was signed, to

2,650 in October 2014. Since the onset of the global economic crisis in 2008, a policy of balancing job losses and sporadic hiring of younger workforce has been supplanted by a ban on new full time employment, combined with a policy of new recruitment on fixed-term contract basis. In contrast, the core workforce regularly receives salaries higher than the country average, which illustrates the divisive impact of the company's presence which benefits only a small minority of labour force in an impoverished city. Another aspect of ArcelorMittal's operations which has put the company on a difficult path in interactions with the local community, local authorities and civil society organisation concerns its environmental record. Environmental standards have improved compared to pre-war levels, but high air pollution in Zenica remains an issue through which different local parties assess the company's commitment, credibility and its standing as a world-class TNC.

The Federation government, although a minority stake owner, has taken a marginal interest in the new company,⁶⁴ and avoided to engage in difficult restructuring issues of surplus workforce, working conditions, and investment in environmental protection. In contrast, the company is at the heart of local politics because of its significance for the revival of local and regional economy. The company's employment and environmental practices, and its position as the main provider of town's heating are key political battlegrounds. These issues have been a main cause of frustration for the local residents over the company's presence in the city. There is a widespread view that the government has taken a back foot in pressing the company to find solutions for frequent break downs in the heating system and high pollution levels. The control of the heating provision strengthens the company's leverage in negotiations with the local authorities over the implementation of its investment and business agendas. To overcome various constraints salient to Bosnia- Herzegovina fragmented and ineffective governance system, and political instability, AMZ has also over time become more proactive in liaising with both the Federation and Zenica municipal

government which has increased the density of the company's relations with a variety of actors at the local, regional and national level beyond its narrow economic scope.

AMZ approach to company restructuring through cost reduction,⁶⁵ while delaying investments in technological upgrading and maintenance, has caused disappointment, and a sense of unfulfilled expectations and suspicions of AMZ widely shared by the local population. The company justifies its approach on account of alleged difficult operating environment in Bosnia- Herzegovina, lower efficiency compared to other ArcelorMittal's plants, and by turbulence in the world steel market caused by the availability of cheap Chinese steel. As valid as those claims may be, AMZ approach is consistent with ArcelorMittal's corporate vision as a company that strives to 'achieve the lowest cost steel production in each of its markets'.⁶⁶ Taking advantage of a low domestic cost base is a key element in ArcelorMittal business strategy; around a quarter of its total output is produced in plants that are among the lowest cost producers in the world.⁶⁷ This low cost production focus is evident in AMZ business practices- from employment issues, health and safety, to investment in equipment and its maintenance, and in environmental protection.

ArcelorMittal's takeover resulted in substantial job losses in an economy already burdened by high unemployment level caused by war time destruction and disruption in productive capacity. Although the company agreed to maintain the workforce at 2,860 workers under pressure from trade unions, the actual number fluctuates depending on company sales, which creates precarious employment for part of the company's workforce. The redundancy policy has discriminated against older, unskilled workers and those living outside Zenica⁶⁸ who were usually the first ones to be fired. The overhaul of employment structure had an uneven effect on employment status and pay. Different wage is paid for the same type of work across the work shifts, which has financial implication for the respective groups as well as their relationships. Another aspect of change which disturbed within group

solidarity and caused workers' frustration concerned a new management structure whereby frontmen were promoted into managers. In workers' view, a lack of clarity about the responsibility of this new management layer for accidents has made it possible to avoid sanctions for their faults at the expense of workers' safety. The company's human resource strategy has involved gradual replacement of local senior cadre with staff from other ArcelorMittal companies which the workers view as yet another way of exercising control. Appointing a foreigner as a head of human resources is seen as a tactical move to facilitate the implementation of the company's redundancy program.⁶⁹

The employment structure overhaul also affected the occupational safety. To maximise the use of labour, in some cases four posts were replaced by one person and the workforce was retrained to multitask so that it can be deployed according to production needs and market demand.⁷⁰ The changes in health and safety standards have amplified the impact of such practice that privileged efficiency over employment safety.

A lack of interest by higher government levels, which extracted themselves from the relationships between the company, its labour force, and local community, has strengthened AMZ's position in negotiating with local constituencies. The company has been able to dampen various demands from employees and the local community regarding job entitlements, environmental protection and infrastructure investment seen at odds with its status as a private, commercial entity.⁷¹ AMZ take over has brought about a major transformation in the power relations between the AMZ management and trade unions. Relations between the company and civil society, mainly environmental organisations are strained, and at times openly confrontational. Although improved, pollution levels in Zenica far exceed other ArcelorMittal sites in Belgium, the Czech Republic and Romania, which speaks to a disproportionate power AMZ enjoys in relations to its interlocutors in Bosnia-Herzegovina.⁷² Complicated and poorly enforced laws and regulations, have enabled the

company to run its operations in Zenica much more flexibly as suggested by the ‘states of exception’ thesis.⁷³ Caught between a tacit (and tactical) government neglect and the company’s priorities, local villages fringing the plant site which are directly exposed to pollution have set up local community councils to engage with the company to address the harmful environmental effects of the company’s operations.⁷⁴ These practices are new to local communities accustomed to a different role the company had under socialist self-management. For both the workers and the local communities, the process of learning new roles and recasting their relations with the company is aggravated by a lack of information and transparency regarding company’s practices and its strategy. Uncertainty over the company’s long term commitment to Zenica, which is the uppermost concern among the locals, rekindles a feeling of uneasy coexistence in the context of the city’s new dependence on the company, despite contributions it has made to local development and post-conflict transition.

Discussion of findings

Using a human security lens, the cases of two global investors in the Western Balkans were seen to shape individual encounters with in/security, and exacerbate a broad range of vulnerabilities, whether in terms of economic welfare, civic rights, personal dignity, cultural norms and community relationships. In both cases these individual vulnerabilities map onto- in terms of reflecting or aggravating- gaps in governance and social tensions which are part of the conflict legacy.

The findings confirmed the ‘state of exception’ hypothesis, that foreign investors represent a distinction from social life outside the manufacturing plant, but also from historic patterns of behaviour. In Serbia and Bosnia, TNCs have established private rules and

practices, which are acknowledged, tacitly or explicitly by government authorities and civil society. In some cases they contradict the formal undertakings contained in official contracts, which are not available publicly, allowing companies to assert their own interpretations of the agreements.

Within this sphere of exception, TNC practices are disconnected from the frameworks within which domestic business operates, and which are familiar to local people. Thus the intervention of foreign investment constitutes a double rupture: a break with the past, as well as modes of behaviour, rules and commercial practices, which are deliberately distanced from prevailing business norms and economic governance including mainstream transitional reforms. TNC exceptionalism implies a new mode of belonging and association, based on marketable skills rather than membership of a traditional national or local community⁷⁵ in a context of societies reshaped by the experience of war, including emergence of new societal cleavages. Such processes are exclusive, marginalising those who remain outside of the physical or metaphorical sovereign space created by the company. In the case of Fiat in Serbia and ArcelorMittal Zenica, older workers, those who hail from rural communities, disabled people and minorities, feel themselves designated as not welcome. Recruitment and human resource practices undermine social solidarity and community relations by pitting one group of citizens against another, and underwrite new divisions within local society.

However the case studies showed that TNCs affect individual security in simultaneously positive and negative ways. TNCs have improved individual security and wellbeing, through providing jobs, social facilities such as education and community resources, and in the case of Bosnia even local heating, at the same time as creating feelings of insecurity among workers, and disempowerment among those excluded from the labour force. What makes the experience of Bosnian and Serb workers different compared to individuals in settled societies, and relevant in a context of post-conflict transition is that the

TNCs are able to influence basic elements of everyday life engendering an overwhelming sense of financial, managerial and normative power, and fear through dependency on elements which are beyond individuals' control. Those uncertainties are perceived as more existential given the fragility of the social context post-war, and the absence of a counterpower in a form of a developmental and welfare- providing state. Asymmetric power relations between the company and local society and the inability of governing authorities to exercise meaningful controls over the TNCs— compounded by the agendas of the local political elites concerned with consolidation of power- exacerbated personal vulnerability across a range of issues encompassing material welfare and dignity.

Our cases showed that TNCs impact on human security in the two countries was ambiguous, paradoxical and unclear, because it was also shaped by how individuals responded to global corporate behaviour, relativizing their situations, making compromises and accepting trade-offs, lowering their own thresholds and standards of security because of a lack of opportunities for employment and productive activity in a post-conflict transition environment. For example, it is seen as better to have a job than challenge corporate practice, or better not to complain about pollution for fear that the company will abandon the plant altogether, or that workers whose families are involved in protests over the pollution could lose jobs.

Conclusion

In this paper we explored the role of the global private sector in post-conflict transition from a proposition that conventional accounts do not fully capture how corporate interventions shape transitions to peace and stability, and how companies engage with the conflict context at local level. By positioning our inquiry in terms of human security and investigating how

TNCs impact everyday experiences of insecurity, we have attempted to make an argument for ‘unbundling’ foreign investment to gain a better understanding of what TNC operations mean for individual and community security, beyond national policy or a contribution to macro-economic growth.

This alternative view means that TNCs should not be seen as merely transmitting economic change, or taken for granted as neutral conduits for development, or alternatively as conflict-instigating actors. Rather we have sought to reveal them as actors capable of influencing security in multiple ways which encompass every dimension - social, cultural, psychological and economic- necessary for the safe and fulfilled life as a foundation of sustainable peace. More than autonomous actors, our case studies showed how foreign companies are complex sites of interaction between the global economy and the local ecology of post-conflict; between the power of foreign resources on the one hand, and fragile state institutions and civil society and vulnerable individuals on the other; and within these interactions, how affective factors such as trust, self-reliance and expectations are significant.

In the post-conflict context, corporate behaviour shapes an environment characterised by severe material needs, governance gaps and social tensions. It was striking in the case of Fiat how the company initially failed to respond to the conflict legacy treating its investment in Serbia as simply another low income country development project, thereby missing the wider political and civic implications of its presence. The combination of corporate intervention and post-conflict means that foreign investment cannot be seen as ‘business as usual’ in transition settings, rather it is loaded with additional implications for how societies come together and regenerate to build sustainable peace. We have expanded on the ‘state of exception’ thesis of business behaviour to show how the relative power advantages deployed by TNCs and the creation of exceptional spaces and bespoke practices in fragile countries can aggravate existing levels of insecurity but also provide individuals with preferential

benefits over and above public services and civic life beyond the manufacturing/production site.

We believe there is value in detailed empirical examinations of TNC engagements in order to highlight the disjuncture between corporate strategies and public policy on one hand, both of which privilege the economic dimension of intervention, and on the other, the wider impacts of foreign investment, beyond economics, which are also salient in terms of transition. Although we argue the need to explore the context specifics of each case of foreign investment, as a granular approach to analysing the role of the private sector, general patterns emerge across case studies. These include the exaggerated dependency created among individuals and communities, the feeling that individuals are trapped between the imperatives of a global market place and the weakness of their own governments and civil society representatives shaped by the particular local experience of conflict, and the mismatch between different constituencies' expectations of foreign investment as a factor in post-conflict reconstruction.

There are limitations in generalising from the two cases presented here: in Serbia and Bosnia the TNCs were relative newcomers rather than implicated in the conflict itself as is the case in other conflict-affected countries. They were invited as part of a wider statebuilding/peacebuilding agenda, positioned as 'rescuing' collapsed economies. At the same time, they encountered a particular history of self-management and worker solidarity within former socialist conglomerates. This both helped and hindered the integration between the company and the community, sharpening the relational dynamics and increasing expectations, which in turn led to feelings of broken promises and disappointed hopes from transition.

Employment precariousness, a transfer of employment between generations and uncertainty about the long-term commitment of international companies to local production sites, create a spectrum of personal threats to security which could be replicated in many transition settings. Specific to our two cases was that individual insecurity increased as a result of 'legitimate practices' such as privatisation and foreign investment inflows, which were not only regarded as standard economic policies but which were framed as necessary and indeed key processes of modernisation and the introduction of a liberal market economy to aid post-war transition. Here the picture is of individual welfare subordinated to an overriding interest in creating state-of-the-art industrial infrastructure: a plant capable of producing world class exports of Italian cars, or high tonnage steel made to the latest technological standards. This modernisation logic created a space conducive to forms of unwitting abuse such as the cultivation of employment anxiety as a tool for controlling both workers and local politicians, and a lack of accountability by corporations towards local populations, reinforcing dynamics of distrustful politics.

The enormity of transition has been greatly underestimated in the Balkans, and our cases present evidence of how corporate engagements play out in the face of a triple disruption to economy, governance and stable order. They show how local actors, states and civil society have failed to adjust to private sector led development while all stakeholders struggle to manage the complex effects of global business presence in the midst of such far-reaching dislocations. The lessons for post-war development include a need to alert policy makers, corporate strategists and target populations alike to the extensive nature of corporate impacts against this backdrop, not least to realise the full potential of the global private sector as an effective agent of peace and development.

Endnotes

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- ¹ Thomas, *Global Governance*, 161; Luckham, 'Introduction: Transforming Security and Development', 2; Abello Colak and Pearce, 'Security from Below', 12; Stern and Ojendahl, Mapping the Security–Development Nexus, 6.
- ² For a related argument, see Ganson and Wennmann, *Business and Conflict*, 104.
- ³ Cowling and Sugden, *Transnational monopoly capitalism*, 60; Dicken, *Global Shift*.
- ⁴ Millar, 'Local Experiences of Liberal Peace', 570.
- ⁵ For example: Global Witness, 'A Crude Awakening'; Idahosa, 'Business Ethics and Development in Conflict (Zones)'; International Alert, 'The Role Of The Exploitation Of Natural Resources'; Nyahn, *Multinational Corporations and their Impacts*; Zandvliet, 'Assessing Company Behavior in Conflict Environments'.
- ⁶ Western Balkans is a term used to denote a group of successor countries to former Yugoslavia (Bosnia- Herzegovina, Croatia, FYR Macedonia, Kosovo, Montenegro and Serbia) and Albania.
- ⁷ Pugh, Cooper and Turner, 'Introduction' In *Whose Peace?*; Campbell, Chandler and Sabaratnam, *A Liberal Peace?*.
- ⁸ UNDP, Post-conflict Economic Recovery, xxiii.
- ⁹ UNDP, *Ibid.* 75; World Bank, *Conflict, Security and Development. The State in a Changing World*, 41.
- ¹⁰ Harman and Williams, 'International Development in Transition', 926.
- ¹¹ Doyle 'Three Pillars of the Liberal Peace'; Boutros-Ghali, An Agenda for Development, 16; Del Castillo, *Rebuilding Wartorn States*.
- ¹² Ganson and Wennmann, *Business and Conflict*, 77; Millar 'Local Experience of Liberal Peace', 578.
- ¹³ Duffield, *Development, Security and Unending Wars*, 81.
- ¹⁴ Ganson and Wennmann, *Ibid.*, 140.
- ¹⁵ Wolf et al 'Corporate Security Responsibility', 298.
- ¹⁶ Ganson and Wennmann, *Ibid.* 206.
- ¹⁷ Ruggie, *Business and Human Rights*; Deitelhoff et al. 'Business in Zones of Conflict'; Scherer and Palazzo, 'The New Political Role of Business'.
- ¹⁸ Banfield, Haufler and Lilly, 'Transnational Corporations in Conflict Prone Zones'; for a specific example see Pearce, 'Oil and Armed Conflict in Casanare, Colombia', 276.
- ¹⁹ Burgess and Owen, 'What is Human Security'; Thomas, *Ibid.*, 162.
- ²⁰ Newman, 'Human Security and Constructivism', 239; Burgess and Tadjbakhsh, 'The Human Security Tale of Two Europes', 449.
- ²¹ Liotta and Bilgin, 'Why Human Security', 113; UN, *The Global Compact: Corporate Citizenship*; Commission on Human Security, *Human Security Now*; Tadjbakhsh and Chenoy, *Human Security Concept and Implications*.
- ²² Gasper, 'Human Security from Definitions', 30.
- ²³ United Nations, *General Assembly Resolution 66/29.0*; Chinkin and Kaldor, *International Law and New Wars*, Chapter 11.

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- ²⁴ Sen, 'Birth of a Discourse', 18.
- ²⁵ Tadjbakhsh, 'In Defense of the Broad View', 44-45.
- ²⁶ Muthuri et al., 'Corporate Innovation', 356.
- ²⁷ Fuchs, *Understanding Business Power*, 773; Macdonald, 'Re-thinking 'Spheres of Responsibility'; Welker, *Enacting the Corporation*, 2.
- ²⁸ Ong, *Neoliberalism as Exception*, 6.
- ²⁹ Cf the empowerment approach in Mena, de Leede et al., 'Advancing the Business and Human Rights Agenda', 163.
- ³⁰ Vejvoda, 'Yugoslavia 1945-91', 22-23.
- ³¹ Bartlett and Uvalic, '*Social Consequences*', 1.
- ³² Wood, 'The Social Processes of War', 540.
- ³³ Arfi, 'Ethnic Fear', 133. Krastev, 'The Inflexibility Trap', 19.
- ³⁴ Kurian and Charkiewicz, '*Violence in Transition*'.
- ³⁵ Krasniqi, 'Equal Citizenship', 1; Kurian and Charkiewicz, '*Violence in Transition*', 125.
- ³⁶ Bojicic-Dzelilovic, 'Informality', 218.
- ³⁷ Golubovic, et al. 'Comparative Analysis', 79; 81. ; Justino, Brück and Verwimp, *A Micro-level Perspective*.
- ³⁸ Krastev, 'The Inflexibility Trap', 19-20.
- ³⁹ Gligorov, 'Balkan Reconstruction', 5.
- ⁴⁰ Nuti, 'Did We go about Transition in the Right Way?'
- ⁴¹ Knusden, 'Privatization in Kosovo'; Bayliss, 'Post-conflict Privatisation'.
- ⁴² Gallup Balkan Monitor, *Insights and Perceptions*.
- ⁴³ Arandarenko, 'Waiting for the Workers'.
- ⁴⁴ Fagan, *Europe's Balkan Dilemma*.
- ⁴⁵ Source: Serbian Ministry of Finance internal document.
- ⁴⁶ Interview with Ezio Barra, Business Development Director, Turin, 18 January 2010.
- ⁴⁷ Interview with FAS management, Kragujevac, April 2014
- ⁴⁸ inserbia.info/today/2014/09/serbia-fiat-temporary-closes-factory/ [last accessed 29 September 2014].
- ⁴⁹ <http://www.automobear.com/mergers/zastava-automobili-4-years-after-the-fiat-handover.html> [accessed 20 January 2015]; 'Balkan legacy' *The Economist* 2 November 2013.
- ⁵⁰ <http://www.automobear.com/mergers/zastava-automobili-4-years-after-the-fiat-handover.html>
- ⁵¹ Interview with FAS non-executive Belgrade, 29 April 2014.
- ⁵² SECONS- Development Initiative Group, Workplace Violence Related to Privatization: Serbia, Belgrade. July 2014, mimeo. Interview former Fiat workers, Kragujevac 3 November 2016.
- ⁵³ Interview with citizens and workers, Kragujevac 28 April 2014
- ⁵⁴ Focus group interview, Kragujevac 3 November 2016.
- ⁵⁵ The parent company Arcelor Mittal changed its name from Mittal following the merger between Luxemburg- based Arcelor in 2007. At the time of investment Mittal was incorporated under the name LNM Holding and the Zenica- based steel maker under the name BiH Steel.
- ⁵⁶ Bosnia- Herzegovina is an asymmetric federation which consists of two entities, the Bosnia- Herzegovina Federation and the Republika Srpska, and the Brcko District under central state's jurisdiction.
- ⁵⁷ <http://news.bbc.co.uk/1/hi/business/3573656.stm>, accessed 10 November 2014.

In 2005, ArcelorMittal bought another 41 per cent stake from the Kuwaiti consulting and investment company (KIIC) for \$98million; the remaining eight per cent is owned by the Federation government.

⁵⁸ In 2009 employment was at 54 per cent of its pre-war level. Development strategy of Zenica-Doboj canton 2010-2020, Zenica.

⁵⁹ AMZ, power point presentation 2014, mimeo.

⁶⁰ The agreement between BH Steel and Kuwaiti fund to set up a joint venture was signed in 1998.

⁶¹ Only a steel making section of the former Željezara Zenica company was incorporated into the new company owned by LNM Holding.

⁶² Mittal Steel Zenica, May 2005. Achievement for the Future of Steel in Bosnia and Herzegovina. Zenica

⁶³ Interview with Mr Seid Kapetanović, former CEO of BH Steel; Zenica 16 October 2014.

⁶⁴ Interview with ArcelorMittal staff, Zenica 14 October 2014; interview with Mr Sead Kapetanović, Zenica 17 October 2014.

⁶⁵ Interview with 2 former ArcelorMittal employees, Zenica, 18 October 2014.

⁶⁶ Dawley et al., 'Mapping Corporations', 283.

⁶⁷ Kumar et al., *India Global Powerhouses*, 56-63.

⁶⁸ Interview with two former ArcelorMittal employees, Zenica 16 October 2014.

⁶⁹ Interview with trade union representatives, Zenica 17 October 2014.

⁷⁰ Interview with a former ArcelorMittal employee, Zenica 17 October 2014.

⁷¹ Interview with Dijana Božić, head of AMZ Public Relations, Zenica 16 October 2014.

⁷² Interview with the members of Eco Forum, Zenica 17 October 2014.

⁷³ Interview with Mr Seid Kapetanović, Zenica 16 October 2014.

⁷⁴ Interview with the president of a local council (identity protected), Zenica 17 October 2014.

⁷⁵ Ong, *Ibid.*, 6.

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