



Facilitating Peace through Economic Incentives

MA Jiahui^{1*}, MA Jiaxiu²

¹Yingda Chang'an Insurance Brokerage Co., Ltd., Beijing, China 100052.

²Information and Communication Branch of State Grid Corporation of China, Beijing, China 100032.

Abstract. Peace is beneficial to the stability and development of all countries and even the global economy. We should try to find a way to reduce wars and achieve peace and development among countries through economic incentive policies. Hand over military power to the United Nations by various countries may achieve long-term peace. Economic incentives such as tariff reductions and most favored nation treatment in trade can be awarded to countries that handed over their military forces to the United Nations. For long-term ongoing wars lasting for more than one year, it can be agreed that the United Nations has the right to forcibly participate in peace negotiations and promote peace negotiations through economic incentive mechanisms.

Keywords: Economic; Peace; Policy.

1. LITERATURE REVIEW

1.1. Peace Is Conducive to The Economic and Political Stability of All Countries

In his seminal work *Principles of Economics* (1890), Marshall posited that sustained economic expansion is achievable within a stable societal framework, though such growth may be impeded by political instability, catastrophic natural events, and military conflicts. Historical patterns demonstrate this principle clearly: Europe's post-World War II recovery, the remarkable economic transformation witnessed in East Asian nations, and the accelerated global integration after the Cold War's conclusion all substantiate the correlation between peaceful conditions and economic advancement. On the contrary, persistent internal strife or international hostilities have consistently resulted in economic stagnation, creating cyclical patterns of deprivation in affected regions.

One of the primary economic advantages of maintaining peace lies in the substantial decrease of multiple transactional expenses. According to North (1990), well-protected property rights serve as the cornerstone for efficient market economy functioning. Such stability guarantees that commercial agreements can be properly enforced while minimizing supplementary costs associated with safeguarding personal safety and assets, including security expenditures and insurance fees. Collier (1999) observed that violent conflicts generate immense unpredictability, disrupting standard market information flows and preventing business owners from formulating sustainable strategies. Building upon this, Acemoglu and Robinson (2012) highlighted that comprehensive economic systems - essential for encouraging capital investment and technological advancement - emerge exclusively within nations enjoying political stability and absence of warfare.

Under stable conditions, the distribution of resources can be enhanced to achieve maximum efficiency, allowing societies to benefit from what scholars term "peace dividends." When nations engage in hostilities, they inevitably redirect substantial portions of limited resources away from economically beneficial sectors like education and public infrastructure toward unproductive military expenditures. Research by Dunne and Tian (2013) demonstrates that establishing peaceful conditions enables societies to reap substantial economic benefits from reduced defense spending. Firstly, national budgets previously dedicated to military purposes can be reallocated to improve social welfare programs and essential public services. Secondly, human capital previously employed in defense-related industries can be productively redeployed to civilian economic sectors, resulting in significant gains in overall economic productivity. This reallocation process contributes to improved efficiency across multiple dimensions of economic activity.

A stable and peaceful environment fosters the gradual buildup of both tangible assets and intellectual resources. Infrastructure projects, industrial facilities, and production equipment typically require extended periods for investment returns, making investors reluctant to commit funds to regions experiencing instability. Sustained economic progress relies on continuous capital infusion, which peaceful conditions facilitate by offering predictable long-term prospects. As demonstrated by Barro (1991), political continuity and educational advancement serve as fundamental requirements for economic expansion. Violent confrontations can devastate educational institutions and healthcare facilities while disrupting learning processes. Conversely, stability enables uninterrupted development of human capital through education and medical services, ultimately enhancing workforce capabilities and creating enduring economic momentum.

The maintenance of peaceful conditions fosters enhanced collaboration and integration within global economic and trade systems. A stable geopolitical climate serves as the fundamental prerequisite for flourishing international commerce. When nations experience reduced political tensions, this positively influences investor sentiment, encouraging greater capital investments across borders by minimizing market volatility. According to Pathak and Baibourtian's 2024 study, there exists a mutually reinforcing connection between governmental

stability and robust economic performance. Conversely, armed confrontations invariably result in substantial financial damages for all involved parties. For long-term economic expansion, establishing predictable investment conditions remains essential. Economic interdependence through trade networks can serve as an effective mechanism for mitigating potential hostilities between nations.

The foundation of mediation and peacebuilding lies in the effective utilization of information. Modern technological advancements, particularly in the digital realm, have revolutionized how individuals perceive and comprehend battlefield dynamics. Through sophisticated tools like big data analytics, satellite imagery interpretation, and social media trend analysis, stakeholders can now obtain immediate and vivid insights into the harsh realities of armed conflicts. These innovations have significantly improved the capacity for continuous observation, predictive assessment, and comprehensive examination of volatile situations. As noted by Zhou Yiqi (2025), international organizations such as the United Nations employ advanced spatial analysis systems combined with social network data processing to track hostilities in high-risk environments. This approach delivers crucial intelligence for evaluating conflict escalation patterns and implementing preventive measures.

In summary, both countries should spare no effort to achieve peace during the war, even if there are losses in negotiations. Money and land will always be available, and life is priceless. In the history of World War I and World War II, all aggressor countries will ultimately fail. Even if the invaded country wins with huge-crowd strategy, it will also pay the price of economic collapse and regime collapse. Therefore, war is a lose-lose outcome, and peace is the key to mutual benefit. For thousands of years, countries around the world have never achieved large-scale and long-term unification through the use of force. If national strength could be achieved through aggression, Qin Shi Huang of China would have already unified the world, and there would be no saying that goes, 'The Great Wall still stands today, but Qin Shi Huang is gone.'

1.2. Why Many Countries Do Not Join Nato?

This paper systematically explores the complex reasons why some countries choose not to join the North Atlantic Treaty Organization (NATO) from multiple dimensions. Factors such as the tradition of neutrality and legal constraints, historical grievances, security and diplomatic autonomy, geopolitics, domestic political constraints, economic considerations, and the difficulties of joining NATO are among the reasons why some countries choose not to join. These factors offer important insights into the security landscape of Europe and the world.

Many European countries have a long tradition of neutrality, a status often enshrined in their legal systems and even constitutional norms. Maintaining neutrality is not only related to these countries' security policies but also to their international image and diplomatic independence. Switzerland is a typical example of a permanently neutral country. Its neutrality can be traced back to the Congress of Vienna in 1815. Switzerland has neither joined NATO nor the EU, which is related to its wealth (avoiding being dragged down by poorer countries within the EU) and its adherence to its tradition of neutrality. With its developed economy and unique geographical location, Switzerland possesses a highly developed military industry and civil defense facilities, enabling it to effectively guarantee its own security without needing to seek protection through NATO (Borchert, H., 2001). These neutral countries often play the role of "bridge builders" in international affairs. Austria, for example, served as a bridge between East and West during the Cold War due to its neutral status and its location between NATO and the Warsaw Pact. Today, Vienna remains an important venue for international conferences, such as the Iran nuclear deal negotiations. This mediating role enhances the presence and influence of these neutral countries on the international stage and is also an important driving force for them to maintain their neutral status (Pelinka, A., & Bischof, G., 2001).

Historical trauma and collective memory directly influence a nation's foreign policy choices. Countries like Vietnam, North Korea, and Serbia harbor deep distrust of NATO due to historical grievances. Serbia is a prime example. In 1999, NATO launched a 78-day air campaign against Yugoslavia (now Serbia) under the pretext of "preventing the Kosovo humanitarian crisis." This was NATO's first direct military action in half a century, leaving profound trauma on the Serbian people. This historical memory directly impacts Serbia's current foreign policy choices, making it difficult for it to accept cooperation with NATO (Ejdus, Filip., 2014).

Some countries worry that joining NATO might not enhance their security but instead place them on the front lines of military confrontation and even erode their diplomatic autonomy. Finland had similar concerns before joining NATO. Some Finns feared that losing their neutral status would exacerbate tensions with their neighbors and could drag them into other wars, turning them into vassals of major powers. (Elgin, Katherine, Alexander, 2023). NATO member states are required to accept the principle of collective defense, which means that once a country joins, it must act within the NATO framework, sometimes which may conflict with its own interests or the will of its people. For example, during the Iraq War, some NATO member states sent troops to support Iraq despite domestic opposition, triggering a domestic political crisis.

Some countries lie on geopolitical fault lines, with complex internal political divisions and ethnic and religious factors. They need to maintain a careful balance among neighboring major powers, as joining NATO could offend neighboring countries and damage bilateral relations. Bosnia and Herzegovina is a typical example. It formally submitted its application to join NATO as early as 2006 and was listed as an "active applicant" in

2010. However, Bosnia and Herzegovina has a complex national structure composed of multiple entities, including the Federation of Bosnia and Herzegovina and Republika Srpska, which maintains close ties with Serbia and strongly opposes joining NATO. This internal political division has stalled the process of Bosnia and Herzegovina's NATO accession for a long time (Gordana Delić, 2019). Meanwhile, some island nations are geographically relatively independent, far from their neighbors, and face relatively less direct military threats, thus making NATO accession less urgent.

Some countries need to consider economic factors when joining NATO. These countries typically have close historical, cultural, and economic ties with their neighbors, and maintaining neutrality is conducive to maintaining stable economic and trade relations with their neighbors. At the same time, NATO requires member states to increase their military spending to at least 2% of their GDP. Under the new defense investment plan, NATO member states should allocate 5% of their GDP to defense (McInnis, K., 20-25). This is a heavy burden for many small countries, meaning that they need to appropriately increase their military spending, which may crowd out social welfare expenditures such as education and healthcare.

Joining NATO is subject to stringent conditions. First, NATO operates on the principle of "unanimity", meaning that the parliament or government of every existing member state must formally ratify the protocol, and any member state has a veto right. For example, Turkey and Hungary delayed their accession due to disagreements with Sweden on issues such as counter-terrorism. Second, only European countries are eligible to join NATO, meaning that other countries, even those located in the North Atlantic region (such as North Africa, West Asia, or Central America), are not eligible. For example, Turkey, as a European country, was admitted, while the United States and Canada became founding members for historical reasons, but their subsequent expansion strictly adhered to the restrictions imposed on European countries. If NATO were to relax these geographical restrictions, Asian and African countries could also be allowed to join. Third, countries with unresolved territorial disputes face significant difficulties joining NATO, as NATO is generally reluctant to admit new members with potential conflict risks, and countries at war also find it difficult to join. I believe that disputed territories could be temporarily set aside, and the conditions for joining NATO could be relaxed, using NATO membership as an incentive to encourage warring countries to reach peace agreements as soon as possible. Fourth, a well-functioning democratic political system must be established and maintained, along with a well-functioning market economy, a military willing and able to support NATO military operations, and the capacity to contribute to security in the North Atlantic region (Volle, A., 2025). However, many countries currently do not meet these conditions, and the entry threshold should be lowered.

2. MODEL DERIVATION

The way to avoid further expansion of the war is to negotiate peace as soon as possible, otherwise it will cause great damage to any country, even if some of the affected country's land is occupied, it will not escalate the war and trigger a world war.

Assuming that the aggressor country A invades the invaded country B. The invading country A has 10 soldiers, and its strength can provide an additional 100 soldiers, with a total strength of 110 people. The invaded country B has one soldier, and its domestic strength can provide 10 soldiers, with a total strength of 11 people. The military strength of the invading country A is much higher than that of the invaded country B.

Scenario 1: If negotiations are successful and a ceasefire is declared midway through the war, country A will lose 5 soldiers, country B will lose 5 soldiers, and both sides will lose a total of 10 people, ending the war.

Scenario 2: If negotiations fail and there is no foreign aid, country A completely defeated country B requires a maximum of 11 soldiers, resulting in a total loss of 22 people from both sides. The war ends.

Scenario 3: If negotiations fail and both sides rely on foreign aid to engage in a protracted war, then to defeat country A, at least 110 soldiers with equivalent strength are needed. The total loss for both sides is 220 people, which is $110+110=220$. Only if country A does not use nuclear weapons can they defeat country A and end the war. The key point of many wars lies in a few pieces of land. Victimized country B can transfer a small amount of land under the witness of the United Nations to reach a ceasefire agreement. Those pieces of land have been bombed into ruins and have little practical value. The loss of a few pieces of land is much smaller than the disaster caused by war, and it is not worth it for both sides to continue fighting. Country B has lost several pieces of land in exchange for peace, while country A, which accused of being an invader for several pieces of land, will face economic sanctions from the world, coupled with the long-term aggression and its resulting consumption have definitely had a negative impact on its development.

This paper explained through a simple model that long-term war is detrimental to both countries. And the paper also explains that small countries need to pay a great price to defeat large countries with their own strength, and it is not wise to fight hard. Those who suit their actions to the times are wise. A feasible suggestion is for the United Nations to negotiate with the victim country, provide some economic compensation or other benefits to the victim country, encourage the victim country to reach peace negotiations with the aggressor country, and pressure the aggressor country through economic sanctions such as cutting off trade and increasing tariffs, forcing the victim country and the aggressor country to reach a peace agreement as soon as possible.

3. POLICY AND RECOMMENDATIONS

Hand over military power to the United Nations by various countries may achieve long-term peace. The reason why China is safe is because China prohibits guns, so it is difficult for individuals to launch internal conflicts. After World War II, Japan did not have the right to establish a military and was stationed by the United States, making it difficult to launch a war. If countries hand over military power to the United Nations for management and hand over various military weapons, while retaining only limited police forces to maintain social order, they will not have the ability to wage war, and prevent hegemonic countries from bullying weaker nations.

From the perspective of the United Nations, wherever there is a riot, the United Nations votes to send troops, and a powerful United Nations troops can suppress it. Countries without armies and weapons do not have the ability to wage war. From the perspective of the interests of various countries, the United Nations military stationed at their borders can maintain the territorial integrity of each country and avoid a country's unilateral foreign war. Domestic police maintain social order and prevent internal unrest. At the same time, countries do not need to spend a lot of money on military affairs, only submitting a small portion of military funds to the United Nations, which saves a lot of expenses and is conducive to economic growth.

Hand over military forces from countries to the United Nations could overcome many of NATO's shortcomings, increase the UN's influence, and prevent it from playing a powerless role. Currently, more than 100 countries in the world are stationed by the United States, and NATO serves as a mechanism for centralized management of many national militaries. However, I argue that submitting military forces to the United Nations would be more equitable, as it would prevent control by any hegemonic power. If countries hand over military forces to the United Nations, any single nation would appear insignificant in the face of a powerful UN military. The UN would be equivalent to a major power, while other countries would be militarily small. Individual countries would lack the courage to challenge the UN military from a global perspective, nor would they have the capability to confront it. With the UN military jointly controlled by member states, any war waged by the UN military would require unanimous (or overwhelming) consent from all nations. Without unanimous consent, the UN military would be incapable of waging a hegemonic war. Considering the internal political changes and religious and cultural influences of different countries, a special agreement should be made that the UN military must not interfere in the internal affairs of any nation to avoid unnecessary involvement in wars.

Economic incentives such as tariff reductions and most favored nation treatment in trade can be awarded to countries that handed over their military forces to the United Nations. Tariff cuts and most favored nation treatment are like effective pillars to support the smooth operation of the global economy. They have greatly promoted trade prosperity, economic growth and international cooperation by lowering barriers and ensuring fair competition. Despite the complex challenges of protectionism and industrial development in implementation, historical experience shows that adhering to an open multilateral trade direction is essential to achieving lasting common prosperity. Deploy UN troops at the border of the country that is willing to hand over its military power. Ensure the security of that country before asking it to hand over its military authority. If a country is unwilling to hand over its military power, the United Nations has no obligation to ensure its security. This country takes full responsibility for its own security situation, but this actually leads to the country's own danger.

For long-term ongoing wars lasting for more than one year, it can be agreed that the United Nations has the right to forcibly participate in peace negotiations and promote peace negotiations through economic incentive mechanisms. Although the United Nations has an obligation to send troops to protect the security of countries that hand over their troops in the event of a war, a prolonged war lasting more than a year can cause significant damage to countries around the world. The United Nations, through voting, can forcibly intervene in peace negotiations on behalf of the victimized country, sacrificing some land and economic interests to promote the aggressor country to reach a peace agreement. It is agreed that the land lost by the victim country due to peace negotiations will be compensated by the United Nations through crowdfunding at 100 million US dollars per square kilometer (the specific amount can be negotiated), and post-war rescue and repair will be provided to the victim country, along with tax-free policies and supportive investments in the economy. United Nations countries pay compensation per square kilometer for the loss of land by the injured country, the injured country loses land but wins the economy, and the aggressor country wins a small amount of land but is impoverished by joint economic sanctions by other countries, so that the aggressor country has no incentive and strength to continue to invade, which indirectly promotes peace. However, if the victim country does not agree to peace negotiations and chooses to continue the war, the United Nations can choose to withdraw its troops from the victim country and no longer provide security guarantees.

The victimized country should transfer its own civilians, soldiers, and government officials to safe place before ceding territory. Even if a few territories are occupied by the invading country A, it is equivalent to changing the local leadership government, and the impacts on ordinary people are not significant except for the change in leadership. If country B is afraid of aggressor country A and massacring local civilians, it can evacuate the local military and civilians in advance and leave an empty land for country A. If the leaders of country B are worried about retaliation from country A, they can flee to a safe third-party country, where they, as heroes who end the war, will be protected by the third-party country.

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