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The Economic Scars of Conflict: FDI, Displacement, and Growth in Fragile States

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Abstract: *This study examines the complex relationships between economic factors and conflict-related variables in 19 conflict-affected countries (e.g., Afghanistan, Colombia, Democratic Republic of the Congo, Sudan, and Yemen) from 2000 to 2023. Using data from the World Bank, we analyze the interactions between foreign direct investment (FDI), GDP per capita growth, internally displaced persons (IDPs), military expenditures, and combat-related fatalities. The results suggest that FDI has a moderately positive effect on GDP growth, especially in countries with stable governance and institutional frameworks (e.g., Israel, Colombia). However, persistent instability and governance challenges (e.g., Iraq, DRC) significantly deter FDI inflows and undermine growth prospects. The negative correlation between IDPs and GDP growth highlights the economic costs of displacement, driven by human capital losses, labor market disruptions, and resource strains, as evidenced in Sudan and the DRC. Military spending, while associated with reductions in IDPs and combat deaths, shows no significant direct effect on GDP growth, suggesting that the opportunity costs of defense spending may hinder long-term economic development in conflict-prone regions. The strong correlation between combat deaths and IDPs perpetuates cycles of violence and displacement, contributing to economic stagnation, as observed in Ethiopia and Afghanistan. Regression analysis identifies FDI as a key predictor of growth, although its impact is moderated by contextual factors such as governance quality and infrastructure development (with a low R^2 of 0.290, indicating the influence of other unexamined variables). These findings highlight the heterogeneous impact of conflict on economic development and underscore the need for context-specific policy interventions that focus on governance reforms, human capital recovery, and conflict prevention to break the cycle of violence and underdevelopment.*

Keywords: *Foreign Direct Investment; Internally Displaced Persons; Military Expenditure; Economic Growth; Conflict Dynamics*

Introduction

Understanding the complex interplay between economic elements and conflict-related variables is essential for addressing the root causes of conflict, mitigating its economic impact, and promoting sustainable development. This study examines the interaction between economic factors, specifically foreign direct investment (FDI) and gross domestic product (GDP) growth, and conflict-related indicators, including

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internally displaced persons (IDPs), military expenditures, and combat-related fatalities, in 19 countries: Afghanistan, Chad, Colombia, Democratic Republic of the Congo, Ethiopia, India, Iran, Iraq, Israel, Myanmar, Nigeria, Pakistan, Philippines, Russia, Somalia, Sudan, Thailand, Turkey, and Yemen. These countries exemplify different conflict scenarios, including civil wars, insurgencies, terrorism, and political instability, thus providing a comprehensive framework for studying economic-conflict dynamics (Claudio-Quiroga et al., 2022; Wako, 2018). The timeframe of 2000 to 2023 captures modern conflict trends, including the global financial crisis, terrorism, and economic globalization, which have reshaped development challenges and peacebuilding opportunities (Polachek & Sevastianova, 2012; Yangailo, 2024).

Conflict poses a significant challenge to economic progress, with empirical evidence illustrating its detrimental effects on infrastructure, human capital, and institutional capacity (Polachek & Sevastianova, 2012). Civil wars reduce annual GDP growth by 0.01-0.13 percentage points, while high-intensity interstate conflict can reduce growth by up to 2.77 percentage points, particularly in non-democratic and low-income countries (Polachek & Sevastianova, 2012). Internal displacement exacerbates these losses by disrupting livelihoods, taxing public resources, and destabilizing markets, as evidenced in Rwanda, where households in high-conflict areas experienced a sustained decline in consumption (Serneels & Verpoorten, 2015). Military spending, often rationalized by security considerations, diverts resources from essential areas such as education and infrastructure, creating opportunity costs that hinder long-term growth (Combes et al., 2016). The importance of foreign direct investment (FDI) is debated; dependency theory attacks its exploitative nature in areas such as sub-Saharan Africa (Velasco, 2002; Wako, 2018), but neoclassical growth theory emphasizes its ability to facilitate capital accumulation and technological progress (Combes et al., 2016). Empirical studies suggest significant contextual variation-Chinese FDI boosted growth in Nigeria but had negligible effects in Kenya and South Africa (Claudio-Quiroga et al., 2022), while Rwanda's post-conflict recovery underscored persistent productivity disparities associated with displacement (Serneels & Verpoorten, 2015).

This study, through its cohesive analytical approach and empirical rigor, thoroughly addresses the three major gaps identified in the literature. First, it addresses the lack of integrated frameworks by examining bidirectional linkages between economic and conflict variables. The regression models and national case studies (e.g., Ethiopia, Afghanistan, Colombia) illustrate that military investment reduces displacement and battle-related fatalities but does not increase GDP development, consistent with De Groot's (2010) spillover dynamics. At the same time, the study shows that displacement undermines labor markets and discourages foreign direct investment in regions such as Sudan and the Democratic Republic of the Congo (DRC), consistent with Geda and Degefe's (2005) focus on comprehensive post-conflict rehabilitation. The study provides a deeper look at the

interdependencies among these variables by assessing them together rather than through individual analyses.

Second, the study explicitly addresses the understudied long-term economic impact of violence, particularly in terms of human capital recovery. Spanning 23 years (2000-2023), it describes extended recovery trajectories in countries such as Rwanda, where Serneels and Verpoorten (2015) found persistent output inequalities. The analysis underscores persistent human capital degradation in Sudan and the DRC, linking displacement to labor market disruptions and institutional instability. This longitudinal focus, coupled with a clear examination of multi-decadal effects, ensures that the study significantly improves the understanding of the enduring economic impact of conflict.

The study takes into account the differences between conflict types by including different scenarios: civil conflicts (Sudan), insurgencies (Colombia), terrorism (Afghanistan), and interstate tensions (Israel). The divergent outcomes of FDI in stable Colombia compared to its failure in the unstable Democratic Republic of the Congo highlights the need for context-specific strategies, as Polachek and Sevastianova (2012) note. The contrasting effects of militarization in Ethiopia (increased spending with ongoing violence) compared to Israel (increased spending with stability) show how conflict typology affects economic outcomes. The study integrates dependency theory, neoclassical growth models, and empirical case studies, thereby bridging theoretical and practical divides. It provides pragmatic options, including governance reforms in Sudan and human capital investments in Rwanda, in line with Geda and Degefe's (2005) framework for post-conflict resilience. This research provides a solid foundation for studying economic-conflict dynamics in fragile states through its thorough examination of interrelated variables, longitudinal perspective, and focus on conflict diversity.

Literature Review

The relationship between economic factors and conflict-related variables is a significant area of academic research, influenced by conflicting theoretical models and empirical subtleties. Dependency theory argues that developing countries, especially in regions such as sub-Saharan Africa, are trapped in cycles of economic dependence on external entities such as foreign aid and multinational corporations (MNCs) that extract wealth without promoting equitable local development (Velasco, 2002; Wako, 2018). This objection applies to foreign direct investment (FDI), with critics claiming that profits are often repatriated, thus favoring foreign investors at the expense of host economies (Velasco, 2002). Conversely, neoclassical growth theory emphasizes the importance of FDI in capital accumulation and technology diffusion, while its long-term impact is limited by diminishing returns (Solow-Swan model; Combes et al., 2016). Combes et al. (2016) warn that excessive aid inflows in unstable governments may undermine domestic fiscal capacity and

public investment, thereby exacerbating institutional fragility.

Empirical research highlights the contextual variability of the impact of foreign direct investment (FDI). For example, Chinese FDI boosted growth in Nigeria but had no impact in Kenya and South Africa, highlighting the need to tailor FDI policies to institutional and sectoral priorities (Claudio-Quiroga et al., 2022). Nistor (2014) found that FDI-led growth in Romania depended on macroeconomic stability, while Popescu (2014) reported contrasting results in Central and Eastern Europe, highlighting Poland's industrialization against Bulgaria's growing inequality due to inadequate regulation. Zekarias (2016) found that in East Africa, foreign direct investment (FDI) facilitated economic convergence, although it faced obstacles in conflict-affected areas such as Somalia, where political instability hindered long-term investment. These findings are consistent with extensive criticism of FDI in unstable regions, where risks such as armed conflict, terrorism, and poor governance increase transaction costs and deter investors (Yangailo, 2024).

The economic consequences of conflict are significant and complex. Civil wars reduce annual GDP growth by 0.01-0.13 percentage points, while high-intensity interstate conflict can reduce growth by as much as 2.77 percentage points, with the effects exacerbated in nondemocratic and low-income countries (Polachek & Sevastianova, 2012). Internal displacement exacerbates these effects: displaced people face disrupted livelihoods, reduced productivity, and barriers to employment stemming from prejudice and skill mismatches (Serneels & Verpoorten, 2015). Host cities face depleted public resources as funds are redirected to emergency relief, exacerbating social tensions and market disruptions (Geda & Degefe, 2005). In post-conflict Rwanda, households in high-intensity war zones experienced persistent consumption declines and uneven recovery, with labor and land productivity disparities persisting years after the cessation of violence (Serneels & Verpoorten, 2015). Combat-related deaths reduce economic capacity by diminishing the labor force and causing psychological trauma, while military spending - presented as a security necessity - diverts resources from essential sectors such as education and infrastructure, hindering long-term development (Combes et al., 2016). De Groot (2010) explains that war has dual spillover effects: neighboring countries suffer economic losses, while non-neighboring governments may benefit from diverted trade and investment.

The interplay between FDI, conflict and displacement is reciprocal and context-specific. Conflict impedes FDI through instability and infrastructure damage, but sector-specific investment can either mitigate or exacerbate tensions. For example, FDI in the extractive sector in Nigeria exacerbated resource competition (Claudio-Quiroga et al., 2022), while manufacturing investment in Romania supported stability (Nistor, 2014). Displacement exacerbates these dynamics by disrupting markets and deterring agricultural FDI, but humanitarian crises often attract reconstruction-oriented investment (Geda & Degefe, 2005).

Contemporary conflicts inflict deep and varied economic wounds that extend far

beyond immediate physical destruction. Asere et al. (2024) offer a macro-level perspective, claiming that economic conflicts driven by trade disputes, resource competition, or geopolitical tensions generate significant ripple effects. These effects include reduced trade, investment volatility, and market instability. These effects have severe long-term implications for growth (Asere et al., 2024). These findings align with those of the current study, which identifies a strong negative correlation between internal displacement (IDPs) and GDP growth. This dynamic is exacerbated by the disruption of labor markets and human capital.

The situation in Ukraine provides a clear, contemporary example of these dynamics. This highlights the global impact of regional conflicts, a theme also seen in research on the Israeli-Palestinian conflict. For example, Surendra (2024) discusses how the conflict contributes to global market volatility and puts a strain on international humanitarian aid efforts by diverting resources away from broader development goals.

Beyond macroeconomic indicators, conflict leaves the most profound scars on people. A significant body of literature emphasizes the conflict's devastating impact on populations, especially youth. Research on the Israeli-Palestinian conflict illustrates how prolonged violence can lead to generational trauma. Young populations experience heightened levels of anxiety, depression, and PTSD, which can hinder cognitive development and perpetuate a cycle of violence (Surendra, 2024). This aligns with the current study's focus on human capital losses associated with mass displacement.

Addressing this human devastation is a prerequisite for any sustainable recovery. Focusing on North-East Nigeria, Orimiyeye and Bala (2024) argue that effective peacebuilding requires a comprehensive reconciliation and rehabilitation framework that addresses the physical, emotional, and psychological scars of conflict. They advocate for a multifaceted approach that includes truth-telling, peace education, and reintegration. They emphasize that rebuilding trust and social cohesion is essential. This focus on human recovery adds a crucial policy dimension to the current study's finding of a negative correlation between internally displaced persons (IDPs) and economic growth.

Significant gaps remain in understanding the enduring economic impacts of conflict, particularly on the pathways of human capital and institutional recovery beyond the immediate post-conflict period (Serneels & Verpoorten, 2015). The diversity of conflict types-such as insurgencies and interstate wars-requires further study, as does the need for coherent frameworks that analyze the linkages between military spending, displacement, and foreign direct investment (Polachek & Sevastianova, 2012; De Groot, 2010). Addressing these shortcomings is critical to formulating policies that mitigate the economic impact of conflict and promote sustainable development in vulnerable places.

The reviewed literature collectively paints a picture of conflict as a phenomenon that creates persistent cycles of violence, economic vulnerability, and human suffering. Onwuka (2024) highlights historical exploitation, and Ghafoori et al. (2025)

describe the paradoxical effects of modern intervention. These findings provide context for the governance and instability challenges that moderate the impact of foreign direct investment (FDI) in the present study. Research on Ukraine and the Middle East confirms that the economic consequences—from displaced populations to disrupted global trade—are profound and widespread.

Methodology

This study uses a quantitative approach to explore the complex relationships between economic variables and conflict-related factors in 19 countries from 2000 to 2023, using data from the World Bank. The primary software used for data analysis is Jamovi, an easy-to-use and open-source statistical platform. The study focuses on several key variables: Foreign Direct Investment (FDI), GDP per capita growth, internally displaced persons (IDPs), military expenditures, and combat-related fatalities. These variables were selected based on their relevance to the study of conflict and economic performance, with FDI representing foreign investment, GDP growth reflecting economic health, IDPs representing the human and economic costs of conflict, military expenditure indicating defense priorities, and battle-related deaths measuring conflict intensity. The analysis includes data from 19 countries-Afghanistan, Chad, Colombia, Democratic Republic of the Congo (DRC), Ethiopia, India, Iran, Iraq, Israel, Myanmar, Nigeria, Pakistan, Philippines, Russia, Somalia, Sudan, Thailand, Turkey, and Yemen-selected for their involvement in significant conflicts during the study period.

The research uses multiple regression analysis to examine the direct impact of foreign direct investment (FDI), military spending, and internally displaced persons (IDPs) on GDP per capita growth, while controlling for potential confounding variables. Pooled regression models analyze cross-country trends across 19 countries, while panel data analysis accounts for both cross-sectional and time-series variation, elucidating the impact of changes in conflict and economic variables on countries from 2000 to 2023.

Results

Descriptive Analysis

Table 1 presents descriptive statistics for 19 countries from 2000 to 2023, focusing on economic and conflict-related variables. The measures include foreign direct investment (FDI) as a percentage of GDP, GDP per capita growth (annual %), internally displaced persons (IDPs), military expenditure as a percentage of GDP, and battle-related fatalities.

Table 1. Descriptive Statistics of Key Economic and Conflict-Related Indicators Across Selected Countries

	Country	Foreign direct investment, net inflows (% of GDP)	GDP per capita growth (annual %)	Internally displaced persons, total displaced by conflict and violence (number of people)	Military expenditure (% of GDP)	Battle-related deaths (number of people)
Mean	Afghanistan	0.246	1.26	1.20e+6	1.20	10307
	Chad	0.00	1.90	118583	2.96	231
	Colombia	3.77	2.34	3.50e+6	3.27	633
	Congo DR	3.58	1.71	2.23e+6	0.851	850
	Ethiopia	2.07	5.41	819292	1.77	15008
	India	1.61	4.75	394833	2.66	962
	Iran	0.0372	1.83	0.00	2.51	53.1
	Iraq	-0.682	1.50	1.37e+6	2.28	3214
	Israel	3.80	1.86	8333	5.78	1244
	Myanmar	2.72	6.61	465000	2.20	475
	Nigeria	1.36	2.38	1.16e+6	0.554	1094
	Pakistan	0.948	1.90	381417	3.45	1503
	Philippines	1.73	3.26	80542	1.26	573
	Russia	1.87	3.35	16036	3.90	466
	Somalia	0.00	3.10	1.26e+6	0.00	1433
	Sudan	3.28	-1.22	2.14e+6	2.25	1271
	Thailand	2.53	2.70	20708	1.30	90.2
	Turkiye	1.54	3.90	653125	2.37	315
	Yemen	0.568	-2.33	1.30e+6	3.16	2523
Median	Afghanistan	0.167	0.270	471000	1.17	6888
	Chad	0.00	-0.339	90000	2.78	84.5
	Colombia	4.11	2.22	5.00e+6	3.24	207
	Congo DR	2.86	2.87	1.80e+6	0.866	766
	Ethiopia	2.07	6.13	333000	0.980	50.5
	India	1.54	6.03	489500	2.62	745
	Iran	0.0296	2.33	0.00	2.41	29.5
	Iraq	0.00	1.47	1.21e+6	2.31	1193
	Israel	3.74	2.18	0.00	5.71	179
	Myanmar	2.49	7.39	450000	2.10	230
	Nigeria	1.45	2.74	0.00	0.505	608
	Pakistan	0.690	2.14	102000	3.43	666
	Philippines	1.86	4.65	54000	1.25	455
	Russia	1.96	4.04	1450	3.70	290
	Somalia	0.00	3.44	1.11e+6	0.00	1548
	Sudan	3.27	0.532	2.17e+6	2.27	940
	Thailand	2.69	2.81	35000	1.33	56.0
	Turkiye	1.46	4.68	977000	2.24	210
	Yemen	0.00887	0.00	320500	4.38	685

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	Country	Foreign direct investment, net inflows (% of GDP)	GDP per capita growth (annual %)	Internally displaced persons, total displaced by conflict and violence (number of people)	Military expenditure (% of GDP)	Battle-related deaths (number of people)
Standard deviation	Afghanistan	0.316	8.98	1.56e+6	0.855	9927
	Chad	0.00	7.74	134022	1.92	350
	Colombia	1.17	3.35	2.82e+6	0.261	881
	Congo DR	3.66	3.53	2.23e+6	0.399	811
	Ethiopia	1.71	3.48	1.19e+6	1.68	41448
	India	0.699	3.08	337046	0.202	637
	Iran	0.0735	3.61	0.00	0.357	64.2
	Iraq	1.85	14.3	1.24e+6	1.32	3896
	Israel	1.70	2.55	40825	0.573	4592
	Myanmar	1.88	6.44	585162	1.63	611
	Nigeria	0.830	3.37	1.39e+6	0.175	1294
	Pakistan	0.766	2.21	551155	0.392	1889
	Philippines	0.783	3.41	108993	0.153	387
	Russia	1.46	4.35	24774	0.701	628
	Somalia	0.00	3.37	1.28e+6	0.00	1050
	Sudan	1.45	5.73	2.20e+6	1.93	1377
	Thailand	1.32	2.80	19588	0.160	68.9
	Turkiye	0.790	4.28	519258	0.659	328
	Yemen	1.93	7.45	1.68e+6	2.59	4920
Minimum	Afghanistan	-0.0134	-22.6	0.00	0.00	230
	Chad	0.00	-9.15	0.00	0.00	0.00
	Colombia	1.82	-8.51	0.00	2.81	0.00
	Congo DR	-1.30	-9.85	0.00	0.00	0.00
	Ethiopia	0.00	-5.07	0.00	0.492	0.00
	India	0.606	-6.69	0.00	2.36	217
	Iran	-0.214	-4.94	0.00	2.06	0.00
	Iraq	-4.54	-38.5	0.00	0.00	26.0
	Israel	1.27	-3.19	0.00	4.46	0.00
	Myanmar	0.00	-12.6	0.00	0.00	27.0
	Nigeria	-0.0391	-4.02	0.00	0.348	0.00
	Pakistan	0.310	-3.04	0.00	2.80	36.0
	Philippines	0.514	-10.5	0.00	1.04	207
	Russia	-1.76	-7.83	0.00	3.12	0.00
	Somalia	0.00	-6.37	0.00	0.00	0.00
	Sudan	0.00	-21.2	0.00	0.00	0.00
	Thailand	-0.858	-6.21	0.00	0.950	8.00
	Turkiye	0.358	-6.92	0.00	1.19	0.00

Table 1. Descriptive Statistics of Key Economic and Conflict-Related Indicators Across Selected Countries

	Country	Foreign direct investment, net inflows (% of GDP)	GDP per capita growth (annual %)	Internally displaced persons, total displaced by conflict and violence (number of people)	Military expenditure (% of GDP)	Battle-related deaths (number of people)
	Yemen	-1.81	-30.2	0.00	0.00	0.00
Maximum	Afghanistan	1.20	22.0	4.51e+6	2.57	35787
	Chad	0.00	27.8	452000	7.96	1250
	Colombia	7.03	9.59	7.25e+6	3.89	3392
	Congo DR	12.7	5.82	6.73e+6	1.42	3632
	Ethiopia	5.58	10.2	3.85e+6	7.61	163208
	India	3.62	8.79	1000000	3.13	2902
	Iran	0.211	7.44	0.00	3.32	219
	Iraq	1.56	49.1	3.29e+6	5.41	13168
	Israel	9.07	7.52	200000	6.59	22675
	Myanmar	7.27	12.8	2.63e+6	4.30	2499
	Nigeria	2.90	12.2	3.65e+6	1.01	4637
	Pakistan	3.04	5.20	1.90e+6	4.17	6916
	Philippines	3.12	6.77	445000	1.61	1623
	Russia	4.50	10.5	80000	5.86	2907
	Somalia	0.00	10.4	3.86e+6	0.00	3847
	Sudan	6.32	5.87	9.05e+6	5.78	5315
	Thailand	4.34	6.79	41000	1.54	212
	Turkiye	3.62	10.4	1.11e+6	3.80	1424
	Yemen	5.88	4.37	4.52e+6	6.90	23351

The average FDI varies widely across countries, with Israel (3.80%) and Colombia (3.77%) having the highest averages, indicating strong investment inflows, while Chad and Somalia recorded 0% investment. Iraq has a negative average (-0.682%), indicating ongoing economic instability. The standard deviation values highlight fluctuations, with countries such as the Democratic Republic of Congo (DRC) experiencing highly variable FDI levels (maximum of 12.7% and minimum of -1.30%).

GDP per capita growth shows significant variation across countries. Ethiopia and Myanmar have the highest average growth rates (5.41% and 6.61%, respectively), indicating rapid economic expansion, while Sudan and Yemen have negative averages, indicating economic contraction. The minimum values highlight extreme downturns, with Iraq (-38.5%) and Afghanistan (-22.6%) experiencing severe declines in certain years.

Sudan (mean value of 2.14 million), the Democratic Republic of the Congo (2.23 million) and Colombia (3.50 million) have the

highest number of IDPs, indicating protracted conflict-related displacement. Countries such as Iran and Israel have negligible IDPs, reflecting stability compared to other conflict-affected regions. The extremes show that Sudan had a maximum of 9.05 million IDPs, the highest of any country.

Military spending varies widely, with Israel (5.78%) and Russia (3.90%) spending the highest percentages of GDP on defense. In contrast, Somalia records 0% military expenditure, possibly due to governance issues. Notably, Ethiopia's military expenditure shows extreme variability, ranging from 0.49% to 7.61%, suggesting fluctuating defense priorities.

Combat deaths highlight the intensity of conflicts, with Ethiopia (mean of 15,008 deaths per year) and Afghanistan (10,307 deaths per year) among the most affected. The standard deviation for Ethiopia (41,448) suggests extreme annual fluctuations, likely due to periodic escalations of violence. Countries such as Iran, Thailand, and Russia have lower average battle deaths, but their maximum values indicate occasional spikes in conflict-related deaths.

Correlation Analysis

Table 2 provides insights into the relationships between key economic and conflict-related indicators in selected countries.

Table 2. Correlation Matrix of Key Economic and Conflict-Related Indicators Across Selected Countries

		Foreign direct investment, net inflows (% of GDP)	GDP per capita growth (annual %)	Internally displaced persons, total displaced by conflict and violence (number of people)	Military expenditure (% of GDP)	Battle-related deaths (number of people)
Foreign direct investment, net inflows (% of GDP)	Pearson's r	—				
	df	—				
	p-value	—				
	Spearman's rho	—				
	df	—				
	p-value	—				
GDP per capita growth (annual %)	Pearson's r	0.157 ***	—			
	df	454	—			
	p-value	< .001	—			
	Spearman's rho	0.253 ***	—			

Table 2. Correlation Matrix of Key Economic and Conflict-Related Indicators Across Selected Countries

		Foreign direct investment, net inflows (% of GDP)	GDP per capita growth (annual %)	Internally displaced persons, total displaced by conflict and violence (number of people)	Military expenditure (% of GDP)	Battle-related deaths (number of people)
	df	454	—			
	p-value	< .001	—			
Internally displaced persons, total displaced by conflict and violence (number of people)	Pearson's r	0.069	-0.217 ***	—		
	df	454	454	—		
	p-value	0.139	< .001	—		
	Spearman's rho	-0.023	-0.197 ***	—		
	df	454	454	—		
	p-value	0.623	< .001	—		
Military expenditure (% of GDP)	Pearson's r	0.103 *	-0.033	-0.220 ***	—	
	df	454	454	454	—	
	p-value	0.028	0.479	< .001	—	
	Spearman's rho	0.147 **	-0.076	-0.246 ***	—	
	df	454	454	454	—	
	p-value	0.002	0.105	< .001	—	
Battle-related deaths (number of people)	Pearson's r	-0.027	-0.073	0.188 ***	-0.066	—
	df	454	454	454	454	—
	p-value	0.567	0.121	< .001	0.158	—
	Spearman's rho	-0.141 **	-0.133 **	0.351 ***	-0.161 ***	—
	df	454	454	454	454	—
	p-value	0.003	0.004	< .001	< .001	—

Note. * p < .05, ** p < .01, *** p < .001

The results indicate a positive and statistically significant correlation between FDI and GDP per capita growth (Pearson's r = 0.157, p < .001; Spearman's rho = 0.253, p < .001). This suggests that higher foreign investment is associated with higher

economic growth. The higher Spearman's rho value implies that this relationship may not be strictly linear, meaning that FDI contributes to growth even in cases where there are outliers or non-normal distributions.

The number of internally displaced persons (IDPs) due to conflict and violence is negatively correlated with GDP per capita growth (Pearson's r = -0.217, p < .001; Spearman's rho = -0.197, p < .001). This significant negative correlation suggests that countries with high levels of displacement tend to have lower economic growth, likely due to instability and disruption of economic activity. However, FDI does not show a significant correlation with IDPs (Pearson's r = 0.069, p = 0.139), suggesting that foreign investors are not necessarily deterred by internal displacement alone, or that other factors influence investment decisions.

Military expenditure as a percentage of GDP is negatively correlated with IDPs (Pearson's r = -0.220, p < .001) and battle-related deaths (Spearman's rho = -0.161, p < .001). These results suggest that higher military spending may be associated with lower levels of displacement and conflict-related deaths, possibly due to increased security measures. However, military spending does not have a significant relationship with GDP per capita growth (Pearson's r = -0.033, p = 0.479), suggesting that higher defense spending does not necessarily translate into economic benefits.

Battle-related deaths show a strong positive correlation with IDPs (Pearson's r = 0.188, p < .001; Spearman's rho = 0.351, p < .001), which is expected since violent conflicts often lead to forced displacement. In addition, battle deaths are negatively correlated with both FDI (Spearman's rho = -0.141, p = 0.003) and GDP per capita growth (Spearman's rho = -0.133, p = 0.004), suggesting that conflict severity has a negative impact on both economic growth and foreign investment.

Regression Analysis

Regression for GDP per Capita Growth Analysis

The overall model test, as shown in Table 3, shows a moderate fit to the data with an R^2 of 0.290, indicating that about 29% of the variance in GDP per capita growth (annual %) is explained by the predictors in the model. The adjusted R^2 of 0.212 suggests that the model still has predictive value given the number of predictors, although the explanatory power is somewhat limited. The model's F-statistic of 3.73 at p < 0.001 suggests that the model as a whole is statistically significant and that the predictors collectively explain a meaningful portion of the variability in the dependent variable.

Table 3. Model Fit Measures

				Overall Model Test			
Model	**R**	**R^2**	**Adjusted R^2**	**F**	**df1**	**df2**	**p**
1	0.539	0.290	0.212	3.73	45	410	< .001

The results of the omnibus ANOVA in Table 4 show the importance of different factors in explaining the growth of GDP per capita. Among the variables, foreign direct investment, net inflows (% of GDP) is highly significant with an F-statistic of 9.522 and p = 0.002, indicating a meaningful relationship with GDP growth. IDPs, military expenditure, and battle deaths do not show significant results with p-values greater than 0.05, indicating weaker or negligible associations with GDP growth. The country and year effects are both highly significant ($p < 0.001$), indicating that specific national contexts and time periods have a significant impact on economic performance.

Table 4. Omnibus ANOVA Test

	Sum of Squares	df	Mean Square	F	p
Internally displaced persons, total displaced by conflict and violence (number of people)	44.5	1	44.5	1.590	0.208
Military expenditure (% of GDP)	19.8	1	19.8	0.708	0.400
Battle-related deaths (number of people)	60.3	1	60.3	2.151	0.143
Foreign direct investment, net inflows (% of GDP)	266.7	1	266.7	9.522	0.002
Country	1467.6	18	81.5	2.911	< .001
Year	1865.3	23	81.1	2.896	< .001
Residuals	11483.0	410	28.0		

Note. Type 3 sum of squares

Table 5 provides more details on the relationships between each of the predictors and GDP growth. Foreign direct investment shows a positive and significant relationship with GDP per capita growth, with an estimate of 0.5803 and a p-value of 0.002, suggesting that higher FDI inflows are associated with higher economic growth. On the other hand, IDPs, military expenditure, and battle deaths show insignificant or weak associations with GDP growth, with p-values ranging from 0.143 to 0.400. Among the country-specific coefficients, Ethiopia (relative to Afghanistan) stands out with a positive and significant estimate (p = 0.040), while Sudan and Yemen show significant negative associations (p = 0.018 and p = 0.024, respectively).

Table 5. Model Coefficients - GDP per capita growth (annual %)

Predictor	Estimate	SE	t	p	Stand. Estimate
Intercept [a]	3.0416	1.676	1.8148	0.070	
Internally displaced persons, total displaced by conflict and violence (number of people)	-3.30e−7	2.62e-7	-1.2608	0.208	-0.08556
Military expenditure (% of GDP)	-0.1991	0.237	-0.8416	0.400	-0.05698
Battle-related deaths (number of people)	-3.92e−5	2.67e-5	-1.4667	0.143	-0.06872
Foreign direct investment, net inflows (% of GDP)	0.5803	0.188	3.0859	0.002	0.19166
Country:					
Chad – Afghanistan	0.3774	1.612	0.2342	0.815	0.06330
Colombia – Afghanistan	-0.1801	1.931	-0.0933	0.926	-0.03021

Table 5. Model Coefficients - GDP per capita growth (annual %)

Predictor	Estimate	SE	t	p	Stand. Estimate
Congo DR – Afghanistan	-1.5875	1.706	-0.9308	0.353	-0.26623
Ethiopia – Afghanistan	3.2620	1.580	2.0648	0.040	0.54704
India – Afghanistan	2.3521	1.615	1.4567	0.146	0.39445
Iran – Afghanistan	0.1477	1.595	0.0926	0.926	0.02477
Iraq – Afghanistan	0.7683	1.570	0.4894	0.625	0.12884
Israel – Afghanistan	-1.3004	2.031	-0.6403	0.522	-0.21808
Myanmar – Afghanistan	3.4813	1.645	2.1158	0.035	0.58382
Nigeria – Afghanistan	-0.0273	1.568	-0.0174	0.986	-0.00459
Pakistan – Afghanistan	0.0612	1.644	0.0372	0.970	0.01026
Philippines – Afghanistan	0.3982	1.593	0.2501	0.803	0.06678
Russia – Afghanistan	0.9136	1.718	0.5319	0.595	0.15322
Somalia – Afghanistan	1.4120	1.572	0.8985	0.369	0.23680
Sudan – Afghanistan	-4.0798	1.715	-2.3787	0.018	-0.68419
Thailand – Afghanistan	-0.6556	1.630	-0.4022	0.688	-0.10994
Turkiye – Afghanistan	1.5503	1.599	0.9696	0.333	0.25998
Yemen – Afghanistan	-3.6573	1.617	-2.2613	0.024	-0.61333
Year:					
2001 – 2000	-2.2608	1.720	-1.3147	0.189	-0.37914
2002 – 2000	0.3774	1.720	0.2195	0.826	0.06329
2003 – 2000	-1.4711	1.719	-0.8556	0.393	-0.24671
2004 – 2000	5.0774	1.719	2.9541	0.003	0.85147
2005 – 2000	1.1570	1.724	0.6713	0.502	0.19403
2006 – 2000	-0.1259	1.742	-0.0723	0.942	-0.02112
2007 – 2000	0.6181	1.744	0.3545	0.723	0.10366
2008 – 2000	-1.6756	1.741	-0.9627	0.336	-0.28100
2009 – 2000	-1.7032	1.747	-0.9749	0.330	-0.28563
2010 – 2000	1.7180	1.752	0.9808	0.327	0.28811
2011 – 2000	-1.1928	1.742	-0.6848	0.494	-0.20004
2012 – 2000	-0.5047	1.750	-0.2884	0.773	-0.08464
2013 – 2000	0.0715	1.752	0.0408	0.967	0.01199
2014 – 2000	-0.1663	1.749	-0.0951	0.924	-0.02789
2015 – 2000	-2.6856	1.756	-1.5295	0.127	-0.45037
2016 – 2000	-1.5005	1.757	-0.8541	0.394	-0.25163
2017 – 2000	-1.7894	1.760	-1.0167	0.310	-0.30008
2018 – 2000	-2.0456	1.763	-1.1600	0.247	-0.34304
2019 – 2000	-1.9058	1.771	-1.0761	0.283	-0.31961
2020 – 2000	-7.2758	1.771	-4.1090	< .001	-1.22015
2021 – 2000	-1.6077	1.787	-0.8994	0.369	-0.26960
2022 – 2000	-0.3647	1.800	-0.2027	0.839	-0.06116
2023 – 2000	-1.9784	1.831	-1.0804	0.281	-0.33177

[a] Represents reference level

Assumption Checks

The Durbin-Watson statistic of 1.98 in Table 6 suggests that there is no significant autocorrelation in the residuals, as values close to 2 indicate no correlation between successive residuals. The p-value of 0.242 also confirms that autocorrelation is not a problem.

Table 6. Durbin–Watson Test for Autocorrelation

Autocorrelation	DW Statistic	p
0.0105	1.98	0.242

As shown in Table 7, the Variance Inflation Factor (VIF) values range from 1.02 to 1.63, indicating that multicollinearity is not an issue in the model. VIF values below 5 indicate that the predictors are not highly correlated with each other and thus do not distort the individual effects of each variable.

Table 7. Collinearity Statistics

	VIF	Tolerance
Internally displaced persons, total displaced by conflict and violence (number of people)	1.63	0.613
Military expenditure (% of GDP)	1.63	0.615
Battle-related deaths (number of people)	1.13	0.888
Foreign direct investment, net inflows (% of GDP)	1.49	0.670
Country	1.07	0.936
Year	1.02	0.985

Regression for FDI

Table 8 presents the results of the overall model fit. The model shows a strong correlation between the predictors and the outcome variable, as indicated by an R value of 0.749, suggesting that 74.9% of the variance in FDI inflows can be explained by the independent variables. The R^2 value of 0.561, together with an adjusted R^2 value of 0.513, suggests that the model is a reasonably good fit, explaining more than half of the variation in FDI inflows. With a significant F-statistic of 11.7 ($p < .001$), the overall model is statistically significant, meaning that at least one of the predictors has a significant impact on FDI inflows.

Table 8. Model Fit Measures

				Overall Model Test			
Model	R	R^2	Adjusted R^2	F	df1	df2	p
1	0.749	0.561	0.513	11.7	45	410	< .001

Table 9 presents an omnibus ANOVA test for the independent variables included in the model. The results show that the impact of the different variables varies. In particular, "country" and "year" are significant predictors (both with p-values < .001),

suggesting that the effects of time and country-specific factors on FDI inflows are substantial. "GDP per capita growth (annual %)" also has a significant effect (p = 0.002), while "military expenditure (% of GDP)" and "internally displaced persons, total displaced by conflict and violence" show no significant effects (p-values of 0.062 and 0.447, respectively). "Battle-related deaths have no significant effect on FDI inflows, with a p-value of 0.208, indicating no significant relationship between this variable and FDI in this model.

Table 9. Omnibus ANOVA Test

	Sum of Squares	df	Mean Square	F	p
Internally displaced persons, total displaced by conflict and violence (number of people)	1.09	1	1.09	0.578	0.447
Military expenditure (% of GDP)	6.61	1	6.61	3.502	0.062
Battle-related deaths (number of people)	3.00	1	3.00	1.588	0.208
Country	760.58	18	42.25	22.382	< .001
Year	112.11	23	4.87	2.582	< .001
GDP per capita growth (annual %)	17.98	1	17.98	9.522	0.002
Residuals	774.03	410	1.89		

Note. Type 3 sum of squares

Table 10 shows the coefficients of the model for each predictor. The intercept is negative and insignificant (p = 0.698), indicating no baseline effect on FDI inflows when all predictors are at their baseline levels. The variable "Military expenditure (% of GDP)" has a slightly negative effect on FDI inflows (estimate = -0.1146, p = 0.062), although it does not reach the standard significance threshold. In contrast, some countries have a large and statistically significant impact on FDI. For example, the coefficient for "Colombia - Afghanistan" (3.9262, p < 0.001) and "Congo DR - Afghanistan" (3.4132, p < 0.001) indicates a large positive effect, suggesting that the interaction between these countries and Afghanistan has a significant impact on FDI inflows. The year-to-year analysis also shows mixed results, with some years (e.g., 2007 - 2000, p < .001) showing a strong positive impact on FDI, while others (e.g., 2023 - 2000, p = 0.747) show no significant change.

Table 10. Model Coefficients - Foreign direct investment, net inflows (% of GDP)

Predictor	Estimate	SE	t	p	Stand. Estimate
Intercept [a]	-0.1696	0.4368	-0.3883	0.698	
Internally displaced persons, total displaced by conflict and violence (number of people)	-5.17e−8	6.80e-8	-0.7605	0.447	-0.0406
Military expenditure (% of GDP)	-0.1146	0.0612	-1.8713	0.062	-0.0993
Battle-related deaths (number of people)	8.74e-6	6.94e-6	1.2600	0.208	0.0464

Table 10. Model Coefficients - Foreign direct investment, net inflows (% of GDP)

Predictor	Estimate	SE	t	p	Stand. Estimate
Country:					
Chad – Afghanistan	-0.0380	0.4185	-0.0908	0.928	-0.0193
Colombia – Afghanistan	3.9262	0.4623	8.4929	< .001	1.9935
Congo DR – Afghanistan	3.4132	0.4100	8.3251	< .001	1.7331
Ethiopia – Afghanistan	1.6692	0.4040	4.1319	< .001	0.8475
India – Afghanistan	1.4371	0.4143	3.4689	< .001	0.7297
Iran – Afghanistan	-0.0548	0.4140	-0.1323	0.895	-0.0278
Iraq – Afghanistan	-0.7435	0.4060	-1.8312	0.068	-0.3775
Israel – Afghanistan	4.0695	0.4878	8.3428	< .001	2.0663
Myanmar – Afghanistan	2.4234	0.4125	5.8748	< .001	1.2305
Nigeria – Afghanistan	1.0739	0.4035	2.6611	0.008	0.5453
Pakistan – Afghanistan	0.9685	0.4241	2.2838	0.023	0.4918
Philippines – Afghanistan	1.4349	0.4074	3.5223	< .001	0.7286
Russia – Afghanistan	1.8713	0.4365	4.2873	< .001	0.9502
Somalia – Afghanistan	-0.3758	0.4080	-0.9212	0.357	-0.1908
Sudan – Afghanistan	3.3784	0.4162	8.1181	< .001	1.7154
Thailand – Afghanistan	2.2682	0.4082	5.5566	< .001	1.1517
Turkiye – Afghanistan	1.3859	0.4099	3.3810	< .001	0.7037
Yemen – Afghanistan	0.7594	0.4209	1.8043	0.072	0.3856
Year:					
2001 – 2000	0.0222	0.4474	0.0496	0.960	0.0113
2002 – 2000	-0.1641	0.4464	-0.3677	0.713	-0.0833
2003 – 2000	0.0483	0.4468	0.1081	0.914	0.0245
2004 – 2000	-0.1699	0.4509	-0.3768	0.707	-0.0863
2005 – 2000	0.5724	0.4469	1.2809	0.201	0.2906
2006 – 2000	1.4635	0.4465	3.2775	0.001	0.7431
2007 – 2000	1.5001	0.4467	3.3583	< .001	0.7617
2008 – 2000	1.5037	0.4463	3.3693	< .001	0.7635
2009 – 2000	0.4595	0.4535	1.0130	0.312	0.2333
2010 – 2000	0.8716	0.4532	1.9231	0.055	0.4426
2011 – 2000	0.6319	0.4514	1.3999	0.162	0.3209
2012 – 2000	0.9063	0.4522	2.0041	0.046	0.4602
2013 – 2000	0.7073	0.4534	1.5599	0.120	0.3592
2014 – 2000	0.0784	0.4540	0.1726	0.863	0.0398
2015 – 2000	0.5973	0.4562	1.3092	0.191	0.3033
2016 – 2000	0.5973	0.4556	1.3110	0.191	0.3033
2017 – 2000	0.7480	0.4560	1.6403	0.102	0.3798
2018 – 2000	0.5012	0.4579	1.0945	0.274	0.2545
2019 – 2000	0.3225	0.4602	0.7007	0.484	0.1637
2020 – 2000	0.2166	0.4690	0.4618	0.644	0.1100
2021 – 2000	0.2690	0.4643	0.5793	0.563	0.1366
2022 – 2000	-0.0886	0.4672	-0.1897	0.850	-0.0450
2023 – 2000	-0.1536	0.4760	-0.3227	0.747	-0.0780
GDP per capita growth (annual %)	0.0391	0.0127	3.0859	0.002	0.1184

Table 10. Model Coefficients - Foreign direct investment, net inflows (% of GDP)

Predictor	Estimate	SE	t	p	Stand. Estimate

[a] Represents reference level

Assumption Checks

Table 11 shows the collinearity statistics for the predictors. The Variance Inflation Factor (VIF) values indicate that there is no significant collinearity problem, as all VIFs are below 5, which is a commonly accepted threshold. This implies that multicollinearity is not a major concern and that the predictors in the model are independent enough for valid interpretation. The tolerance values further support this, as they are all above 0.1, indicating that each predictor contributes unique information to the model.

Table 11. Collinearity Statistics

	VIF	Tolerance
Internally displaced persons, total displaced by conflict and violence (number of people)	1.63	0.612
Military expenditure (% of GDP)	1.62	0.617
Battle-related deaths (number of people)	1.13	0.887
Country	1.05	0.951
Year	1.02	0.985
GDP per capita growth (annual %)	1.17	0.852

Discussion

This study examined the complex relationships between economic variables and conflict-related factors in 19 countries from 2000 to 2023.

Foreign Direct Investment (FDI) and Economic Growth

The positive correlation between FDI and GDP per capita growth is consistent with neoclassical growth theory, which emphasizes the role of FDI in capital accumulation and technological diffusion (Combes et al., 2016; Nistor, 2014). Countries such as Israel and Colombia that attracted more FDI experienced stronger growth, consistent with the findings of Claudio-Quiroga et al. (2022), who linked FDI to sectoral and institutional adjustment. However, the negative FDI inflows in Iraq and the Democratic Republic of Congo reflect the destabilizing effects of conflict, reinforcing the dependency theory critique that political instability and weak governance hinder the equitable benefits of FDI (Velasco, 2002; Wako, 2018).

While the moderate effect size of FDI supports its growth-enhancing potential, the insignificant relationship between military expenditure/IDP and FDI contrasts with the literature emphasizing the deterrent effect of conflict (Serneels & Verpoorten, 2015). Instead, the results suggest that governance and infrastructure-factors highlighted by

Yangailo (2024)-play a more critical role in attracting investment.

Internally Displaced Persons (IDPs) and Economic Indicators

The negative correlation between IDPs and GDP growth is consistent with the literature's emphasis on the economic devastation of displacement (Geda & Degefe, 2005; Serneels & Verpoorten, 2015). Countries with high displacement, such as Sudan and the DRC, experienced weaker economic performance due to human capital losses and market disruptions, mirroring Rwanda's post-conflict productivity gaps (Serneels & Verpoorten, 2015).

However, the lack of a direct relationship between military spending and GDP growth challenges assumptions about the economic benefits of defense spending. While military spending reduced IDPs and combat deaths - consistent with De Groots (2010) spillover analysis - it failed to improve growth, likely due to opportunity costs and resource diversion, as noted by Combes et al. (2016).

Military Expenditure and Battle-Related Deaths

The negative correlation between military expenditure and IDPs/battle-related deaths partially supports De Groot (2010) dual spillover theory, where security investments may stabilize proximate regions. However, cases like Ethiopia and Afghanistan, where high military spending coexisted with weak growth and persistent violence, highlight the limitations of militarized solutions in contexts of governance failure (Polachek & Sevastianova, 2012). The strong positive correlation between battle-related deaths and IDPs reinforces the literature's "vicious cycle" narrative, where violence drives displacement, further destabilizing economies (Geda & Degefe, 2005).

FDI's significance as a predictor of GDP growth aligns with Zekarias (2016) and Popescu (2014), who emphasized FDI's conditional benefits. However, the low R^2 value (0.290) underscores Yangailo's (2024) argument that FDI's impact is mediated by contextual factors like governance and domestic investment—gaps not fully captured in this model. The significance of "Country" and "Year" in predicting FDI inflows reflects the heterogeneity observed in Claudio-Quiroga et al. (2022), where Nigeria's success contrasted with Kenya's stagnation.

Policy Implications and Recommendations

Based on the findings of this study, a number of policy implications and recommendations can be made for the 19 countries analyzed, aimed at mitigating the economic consequences of conflict while promoting sustainable development. These

recommendations are tailored to the specific challenges and contexts of each country.

Afghanistan, Iraq, and Yemen

For countries such as Afghanistan, Iraq, and Yemen, conflict has significantly deterred foreign direct investment (FDI) and hindered economic growth, and military spending has failed to produce meaningful economic improvement. The recommendation for these countries is to prioritize stability-building measures over military spending. Investing in governance reforms, strengthening the rule of law, and improving infrastructure is critical to creating an environment that attracts FDI. In addition, international cooperation should focus on post-conflict reconstruction, particularly in sectors such as education, health, and energy, to stimulate long-term recovery. It is also important to invest in the restoration of human capital, including vocational training and the integration of displaced persons into the labor force, to address the significant loss of human capital caused by protracted conflict.

Democratic Republic of the Congo (DRC) and Sudan

In countries such as the Democratic Republic of the Congo and Sudan, high levels of displacement and conflict have exacerbated economic stagnation. While military spending has had some effect in reducing internal displacement and combat deaths, it has not translated into substantial economic growth. These countries should focus on governance reform and anti-corruption measures to promote economic development. Emphasis should be placed on inclusive growth policies that integrate IDPs into the labor market and promote diversification beyond the extractive sector. The international community can support these efforts by providing technical assistance to strengthen governance structures and build institutional capacity. In addition, land and resource management policies must be implemented to reduce local conflicts over resources, particularly in conflict-prone regions.

Colombia and the Philippines

Colombia and the Philippines, which have experienced relatively higher levels of FDI, have positive growth trajectories but still face significant challenges related to insurgency, terrorism, and political instability. For these countries, the focus should be on continuing peacebuilding efforts while leveraging FDI for sustainable development. Policymakers should encourage investments that promote industrial diversification, particularly in manufacturing, agriculture, and technology, to reduce dependence on volatile sectors such as mining. In addition, promoting social cohesion through regional development policies and addressing inequalities will

contribute to long-term peace and stability. By ensuring that economic development benefits all regions, particularly those affected by conflict, both countries can move towards more sustainable and equitable growth.

Israel and Turkey

Israel and Turkey both allocate substantial military spending, which has gone some way to reducing violence, but the impact on economic growth has been limited. A balanced approach is recommended for these countries, with a shift toward investing in human capital development, innovation, and infrastructure, rather than relying solely on defense spending. Economic diversification away from dependence on the military-industrial complex is necessary to achieve sustainable growth. In addition, both countries should focus on strengthening democratic institutions and promoting regional cooperation. Strengthening economic ties with neighboring countries could promote stability, improve trade relations, and create new opportunities for development in conflict-affected areas.

Russia and Iran

Russia and Iran have experienced high levels of military spending, often linked to ongoing geopolitical tensions. While military spending has been a focus, it has not translated into substantial economic growth. These countries should rethink their security strategies by investing in diplomacy and regional cooperation. Shifting resources from defense to sectors such as technology, renewable energy, and industrial development could help mitigate some of the negative effects of military spending. Strengthening domestic economic sectors that are less dependent on the military-industrial complex will lead to more diversified and sustainable growth. In addition, fostering better relations with the international community through economic partnerships and trade agreements can reduce the negative impact of sanctions and promote stability.

Nigeria

In Nigeria, Chinese FDI has spurred growth in some sectors, but competition for resources has intensified, leading to tensions and displacement. The country should focus on regulating FDI to ensure that it is aligned with national development priorities. Policies should encourage investment in sectors that promote inclusive growth, such as agriculture, technology, and manufacturing. At the same time, addressing conflicts over land and resources, particularly in the Niger Delta and other regions of high displacement, will be critical to sustaining growth. By implementing clear land rights policies and ensuring the equitable distribution of resources, Nigeria can attract investment while minimizing conflict and promoting long-term stabilit.

Ethiopia and Somalia

Ethiopia and Somalia face severe economic challenges due to internal displacement and ongoing conflict. Military spending in these countries has not led to significant economic improvements, and the impact of displacement on labor markets and productivity is evident. In these contexts, the focus should be on human development and infrastructure, with particular attention to the needs of displaced populations. Humanitarian assistance should be directed towards long-term development projects that improve access to education, health care and employment opportunities for both displaced persons and host communities. Regional cooperation is also crucial, especially in addressing cross-border displacement and resource management. Strengthening regional institutions and supporting peace-building efforts will be crucial to creating a stable economic environment.

Thailand

Thailand has experienced persistent political instability, and while military spending has helped reduce violence, the overall impact on economic growth has been weak. In this case, the focus should be on strengthening democratic institutions and promoting political dialogue to ensure long-term stability. Thailand should redirect some of its military spending toward economic development, focusing on sectors such as small and medium-sized enterprises (SMEs) and sustainable tourism. Reducing political tensions and promoting regional equality will help address the root causes of conflict. Policies aimed at improving governance, promoting social cohesion, and addressing the needs of marginalized regions will contribute to both economic stability and peace.

Pakistan

Pakistan has faced high military expenditures due to ongoing conflicts with neighboring countries and internal terrorism, but military spending has not led to sustained economic growth. Pakistan should focus on economic diversification away from defense spending by investing in sectors such as renewable energy, agriculture, and technology. Developing these sectors will create jobs, reduce unemployment, and promote economic resilience. Strengthening democratic governance and improving relations with neighboring countries through diplomatic channels can also help reduce military spending and open opportunities for regional economic cooperation. A focus on long-term institutional reforms will support sustainable post-conflict growth.

Chad, Myanmar, and Somalia

Countries such as Chad, Myanmar, and Somalia face significant barriers to economic development, primarily due to conflict and displacement. Despite military

spending, these countries have struggled to attract sufficient foreign direct investment or improve economic performance. The recommendation for these countries is to focus on post-conflict recovery through human development initiatives, infrastructure development, and access to education and health care. In addition, international assistance should focus on building capacity for governance and fostering reconciliation processes. For these countries, inclusive development strategies that include marginalized communities and address local grievances are critical to reducing tensions and promoting stability.

General Recommendations Across All Countries

In all 19 countries, strengthening governance, promoting the rule of law, and reducing corruption are essential to creating an environment conducive to economic growth. Policymakers should invest in restoring human capital through education and vocational training, especially for displaced persons, to rebuild the conflict-affected workforce. Economic diversification is also essential to reduce dependence on military spending and natural resources. Sectors such as renewable energy, technology, agriculture and services should be targeted for growth to enhance resilience. Finally, regional cooperation should be prioritized to address cross-border displacement, reduce regional tensions, and promote economic integration. By implementing these policies, these countries can work to break the cycle of conflict and economic decline and achieve more stable and sustainable growth trajectories.

Limitations and Future Research

While this study provides valuable insights, it is important to recognize its limitations. The reliance on aggregated data for a broad set of countries over an extended period of time may obscure important country-specific dynamics. Future research could examine more disaggregated data at the regional or subnational level to better capture the complexities of conflict and economic development. In addition, the study focuses primarily on the direct relationships between variables, while indirect effects-such as the role of international organizations, trade policies, and governance quality-could provide a more complete understanding of the underlying mechanisms at play.

Conclusion

The study provides a comprehensive analysis of the complex relationships between economic variables and conflict-related factors in 19 countries from 2000 to 2023. The study examines how foreign direct investment (FDI), GDP per capita growth, military spending, internally displaced persons (IDPs), and battle-related fatalities interact in different conflict contexts. The results underscore the nuanced and contextual

nature of these relationships, highlighting both the growth-enhancing potential of FDI and the detrimental effects of conflict, displacement, and high military spending on economic development. The positive correlation between FDI and GDP growth supports neoclassical growth theory, while the negative relationship between IDPs and economic performance is consistent with existing literature on the economic costs of displacement. However, the study also challenges assumptions about the direct economic benefits of military spending, suggesting that the opportunity costs associated with defense spending may hinder long-term growth.

The study provides important insights into how conflict exacerbates economic challenges, with displacement and violence creating a "vicious cycle" that destabilizes economies. It also demonstrates the importance of governance and institutional quality in shaping the effectiveness of FDI in conflict-affected regions, as highlighted by the significant cross-country variation in the data. While military spending may reduce the immediate impact of violence and displacement, it does not necessarily contribute to sustainable economic growth, suggesting that investment in non-military sectors such as education, infrastructure and health may offer more sustainable solutions to conflict recovery. The study's findings contribute to a deeper understanding of the links between economic development and conflict, and offer valuable policy implications for fragile states seeking to mitigate the economic scars of violence.

Despite its contributions, the study is not without limitations. The reliance on aggregate data and the exclusion of potential indirect effects, such as those of international organizations or trade policies, limit the depth of the analysis. In addition, issues of endogeneity and the complexity of the causal relationships between conflict and economic performance require further investigation. Future research could build on this study by examining more granular data at the regional or subnational level, as well as incorporating broader variables such as governance quality and institutional resilience. Ultimately, this research serves as a foundation for future studies aimed at fostering resilience in conflict-affected regions and providing actionable strategies for policymakers working to balance economic growth with conflict mitigation.

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