PEACE & ITS ECONOMIC VALUE

PEACE: A PREDICTOR OF ECONOMIC SUCCESS

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The Institute for Economics & Peace

- **10 BN** Global Media Reach
- **5** International Offices
- **850M** Digital Reach

Research used extensively by organisations including the OECD, Commonwealth Secretariat, World Bank and the United Nations.

Ranked as one of the most impactful think tanks in the world on the Global Go To Think Tank Index.
Global nuclear inventory, 1945–2017

Despite a considerable fall in the total number of stockpiled and active nuclear weapons since the end of the Cold War, more countries than ever before are sustainable nuclear arsenal.

Source: Federation of American Scientists Nuclear Notebook
The Global Peace Index

6 measures of ongoing domestic and international conflict
Including: intensity of organised internal conflicts, relations with neighbouring countries and number of deaths from conflict

10 measures of societal safety and security
Including: number of refugees and IDPs, impact of terrorism, homicide and incarceration rates

7 measures of militarization
Including: military expenditure, number of armed service personnel, ease of access to small weapons
Changes in peace, 2008-2017

Countries became more peaceful

75

Countries became less peaceful

85

Peace declined 2.38% per cent over the last decade
The last decade’s deterioration has been dominated by conflicts in the Middle East.

If the Middle East and North Africa were removed, the world would have become more peaceful.
Deterioration of Peace

692% increase in deaths from internal conflict (2007 vs. 2016)

247% increase in deaths from terrorism

67.75 million displaced people in 2017
Global Cost of Violence, 2017

$14.8 trillion

Which is equivalent to 12.4% of world GDP

or

$1988 per person

If the world decreased violence by only 10%...

...$1.48 trillion could be directed to other economic activities

This is a highly conservative estimate.
The Global Cost of Violence, 2017

A 1% reduction in the cost of violence is the equivalent to:

- The global total Official Development Assistance in 2017

A 10% reduction in the cost of violence is the equivalent to:

- The global total Foreign Direct Investment in 2017
- The total economies of Denmark, Switzerland and Belgium

Military expenditure is the single biggest component of the global cost of violence.
Peace and Economic Performance

- GDP growth
- Median inflation
- Interest rates
- Foreign direct investment inflows are more than 2x higher in countries with higher levels of peace than in less peaceful countries.
GPI & GDP per capita growth

Countries with very high level of peace, on average achieved nearly three times higher GDP per capita growth compared to the least peaceful countries since 1960.
Peace and lower levels of inflation

*Historically inflation levels for high peace countries tend to remain consistently below low peace countries, having lower volatility.*
Peace and lower interest rates

*The same applies for the interest rates*
2018 POSITIVE PEACE INDEX
TRACKING PEACE TRANSITIONS THROUGH A SYSTEMS THINKING APPROACH

THE STATE OF POSITIVE PEACE

<table>
<thead>
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<th>Very high</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
<th>Not included</th>
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<td>3.29</td>
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Positive Peace
Positive Peace creates the optimum environment for human potential to flourish.

High levels of Positive Peace are associated with:

- Higher per capita income
- Resilience
- Better environmental outcomes
- Higher GDP growth per annum
- Better performance on SDGs
Positive Peace and Business

- There is a high correlation between the 8 Pillars of Positive Peace, and factors critical to business and economic activities.

- Positive Peace also contributes to the overall soundness of a country’s economic fundamentals, such as strength and stability of currencies and a better credit rating.

- Improvements in Positive Peace are linked to stronger domestic currencies.
Every 1% improvement in Positive Peace is associated with a 2.9% growth in GDP per capita.

Countries that improve in Positive Peace since 1996 have 2% higher GDP growth than countries that deteriorate in Positive Peace.
Change in Real Effective Exchange Rates by Positive Peace Group, non-OECD countries, 2005 - 2016

Countries that improved in Positive Peace experienced higher rates of appreciation in the value of their currency.

Source: WDI, IEP calculations
Economics and Peace – Making the Link

• As peace improves, doing business also becomes easier. With some of the low and mid peace countries also offering high quality business environment.

• Countries that improve in Positive Peace experience higher rates of appreciation in the real value of their currency.

• Costs associated with violence expressed as percentage of GDP, increases exponentially as move from most peaceful to least peaceful countries

• Countries that deteriorated significantly in Positive had a fall in their credit rating of 4.5 points on average – Non OECD
Violence imposes massive cost on economy

Costs associated with violence expressed as percentage of GDP, increases exponentially as move from most peaceful to least peaceful countries
Peacefulness and ease of doing business

As peace improves, doing business also becomes easier. With some of the low and mid peace countries also offering high quality business environment.
Peacefulness and density of businesses

As the level of peace improves, the number of formal businesses per 1,000 people also increases.
**Economics and Peace – Vicious & Virtuous Cycle**

- **Lower levels of Economic Activity**
  - **Higher Levels of Unemployment**
  - **Lower Levels of interdependence among population groups**
  - **Lower Incentive to Maintain Peace and Harmony**

- **Higher Levels of Economic Activity**
  - **Higher Incentive to maintain peace and Harmony**
  - **Higher Levels of interdependence among population groups**
  - **Lower Levels of Unemployment**
Positive Peace and Supply & Demand Sides of Business

Effects of Positive Peace on businesses

Enhanced Positive Peace increases efficiency of both supply and demand side of business.

- Greater participation of businesses and labour
- Improved logistical efficiency due to reduced corruption
- Greater incentive for investing and purchasing durable consumables

Higher Positive Peace

Supply side
- Increased trust in governance and third party arbitration

Demand side
- Reduced frequency and impact of unexpected events
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