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International Agenda Setting Conference

www.agendasetting.com



Steve Killelea

**Chairman, Institute for
Economics and Peace**

Thursday 28th October 2010

Rapperswil, Switzerland



What Does IEP Do?

Policy

Promote and inform public debate with a view to impact public policy by providing an accessible and high quality forum for discussion through debates, seminars, lectures, dialogues and conferences.

Education

Present educators with solid empirical data to further study the impacts of peace on economies. Stimulate the study of the issues by others, and help draw the work of those in related fields.

Analysis

Lead research and rigorous theoretical and empirical analysis around the economies of peace and the Peace Industry. Collaborate with experts internationally.

Consulting

Develop strategic expertise in the area of peace economics, and conduct client sponsored research for commercial businesses, foundations and other organizations.

E-publishing

Publish research results and policy recommendations widely and freely, including annual release of the Global Peace Index.



Motivation for focus on Peace

- Major challenge facing humanity is sustainability
- Challenges are global, urgent and require unparalleled co-operation
- Peace is the prerequisite for solving these problems



Why an Index?

- Never been done before
- Peace is poorly understood
- Peace should and can be measured
- Through measuring peace its texture can be analysed

Global Coverage



Canada,
United States of America

Albania, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Italy, Kazakhstan, Latvia, Lithuania, Luxembourg, Macedonia, Moldova, Montenegro, Netherlands, Norway, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Turkmenistan, Ukraine, United Kingdom, Uzbekistan

Argentina, Bolivia, Brazil,
Chile, Colombia, Costa Rica,
Cuba, Dominican Republic,
Ecuador, El Salvador, Guatemala,
Guyana, Haiti, Honduras, Jamaica,
Mexico, Nicaragua, Panama,
Paraguay, Peru, Trinidad and
Tobago, Uruguay, Venezuela

Algeria, Angola, Bahrain, Botswana, Burkina
Faso, Burundi, Cameroon, Central African Republic, Chad,
Congo (Brazzaville), Cote d' Ivoire, Democratic Republic of the
Congo, Egypt, Equatorial Guinea, Ethiopia, Gabon, Gambia,
Ghana, Iran, Iraq, Israel, Jordan, Kenya, Kuwait, Lebanon,
Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Morocco,
Mozambique, Namibia, Nigeria, Oman, Qatar, Rwanda, Saudi
Arabia, Senegal, Sierra Leone, Somalia, South Africa, Sudan,
Swaziland, Syria, Tanzania, Tunisia, Uganda, United Arab
Emirates, Yemen, Zambia, Zimbabwe

Afghanistan, Australia,
Bangladesh, Bhutan,
Cambodia, China, India,
Indonesia, Japan, Laos,
Malaysia, Mongolia,
Myanmar, Nepal, New
Zealand, North Korea,
Pakistan, Papua New
Guinea, Philippines,
Singapore, South Korea,
Sri Lanka, Taiwan,
Thailand, Vietnam



Defining Peace

- Peace is more than the absence of war. The perfect state would have no police, jails or crime
- Defined peace as the **“Absence of Violence”**
- This definition allows for measurements of both internal and external peacefulness
- “Positive Peace” is uncovered via the correlation of other data sets and indexes



The Global Peace Index

- Now in its fourth year
- Ranks 149 nations (up from 121 in 2007)
- Data widely used including by **World Bank, UNDP, national governments**
- Widely covered by international media including **BBC World News, Bloomberg, Guardian**
- Visits to www.visionofhumanity.org doubled since last year



23 Indicators

- Uses both quantitative and qualitative indicators
- Sourced from highly respected organisations
- Estimated by EIU analysts where data is missing
- Weighted on a 1-5 scale
- Overall score weighted 60% for internal peace and 40% for external peace



23 Indicators

weight	indicator
4	Perceptions of criminality in society
3	Number of internal security officers and police 100,000 people
4	Number of homicides per 100,000 people
3	Number of jailed population per 100,000 people
3	Ease of access to weapons of minor destruction
5	Level of organized conflict (internal)
3	Likelihood of violent demonstrations
4	Level of violent crime
4	Political instability
4	Respect for human rights
2	Volume of transfers of major conventional weapons, as recipient (Imports) per 100,000 people



23 Indicators

weight	indicator
1	Potential for terrorist acts
5	Number of deaths from organized conflict (internal)
2	Military expenditure as a percentage of GDP
2	Number of armed services personnel per 100,000 people
2	Financial support to UN Peacekeeping missions
3	Aggregate number of heavy weapons per 100,000 people
3	Volume of transfers of major conventional weapons as supplier (exports) per 100,000 people
2	Military capability/sophistication
4	Number of displaced people as a percentage of the population
5	Relations with neighboring countries
5	Number of external and internal conflicts fought
5	Estimated number of deaths from organized conflict (external)



Global Support

The Index has been endorsed by hundreds of individuals and organizations, including Nobel Laureates, government officials, renowned academics and business leaders.

They include: HH Dalai Lama; Kofi Annan; Archbishop Desmond Tutu; President Martti Ahtisaari; Betty Williams; Muhammad Yunus; Amnesty International; President Jimmy Carter; Professor Joseph Stiglitz; Sir Mark Moody-Stuart; Her Majesty Queen Noor of Jordan; His Royal Highness Prince El Hassan bin Talal of Jordan; Sir Richard Branson and Ted Turner



Correlations With Other Indices



Other Indexes

Well Being Indexes

- UNDP Human Development Index $r = -0.58$
- Legatum Institute Prosperity Index $r = 0.72$
- Yale Environmental Sustainability Index $r = 0.63$
- Yale Environmental Performance Index $r = -0.52$

Economic Indexes

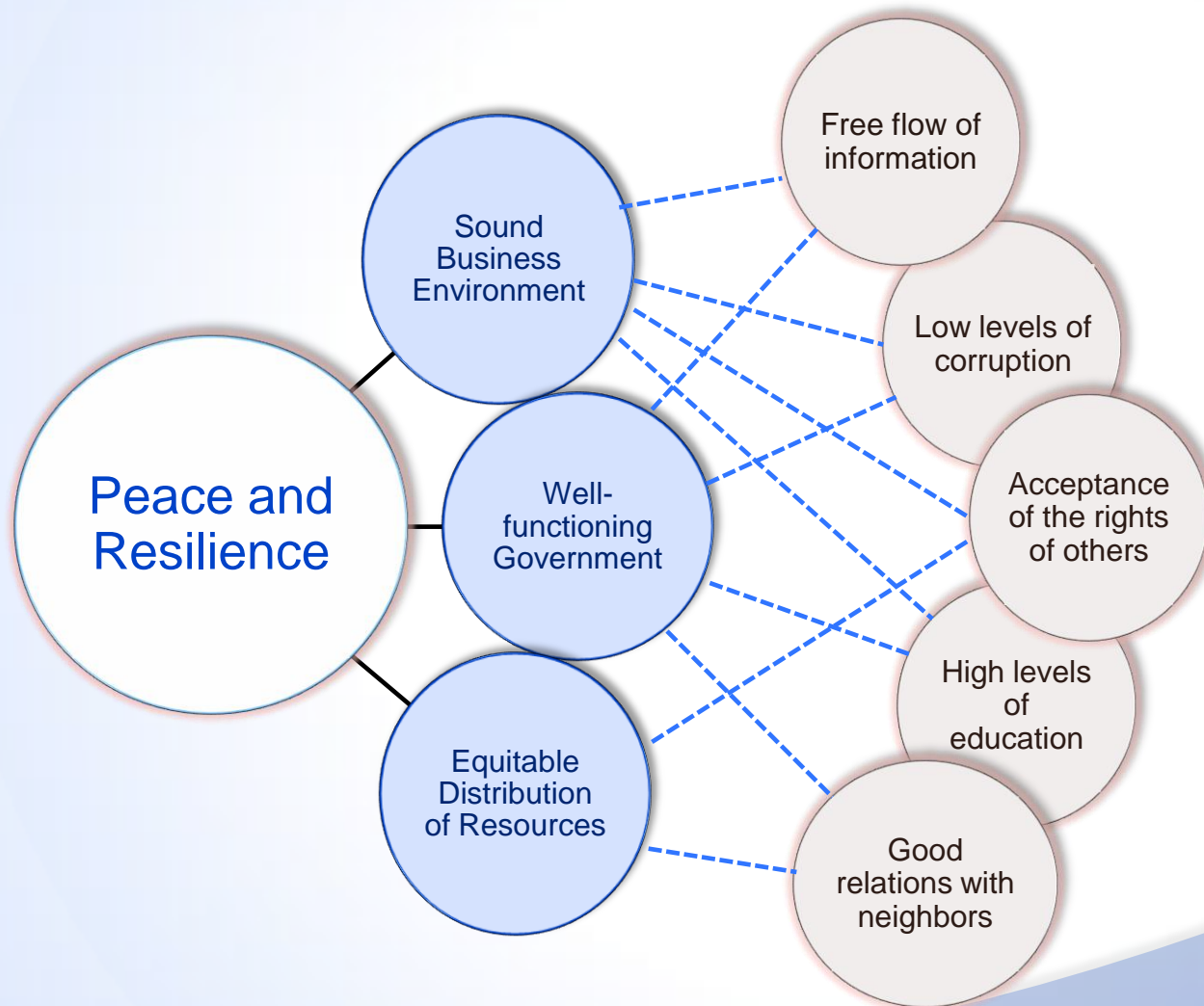
- World Bank Ease of Doing Business Index $r = 0.54$
- World Economic Forum Global Competitive Index $r = 0.58$
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Characteristics of Peace



Structural Aspects of Peace





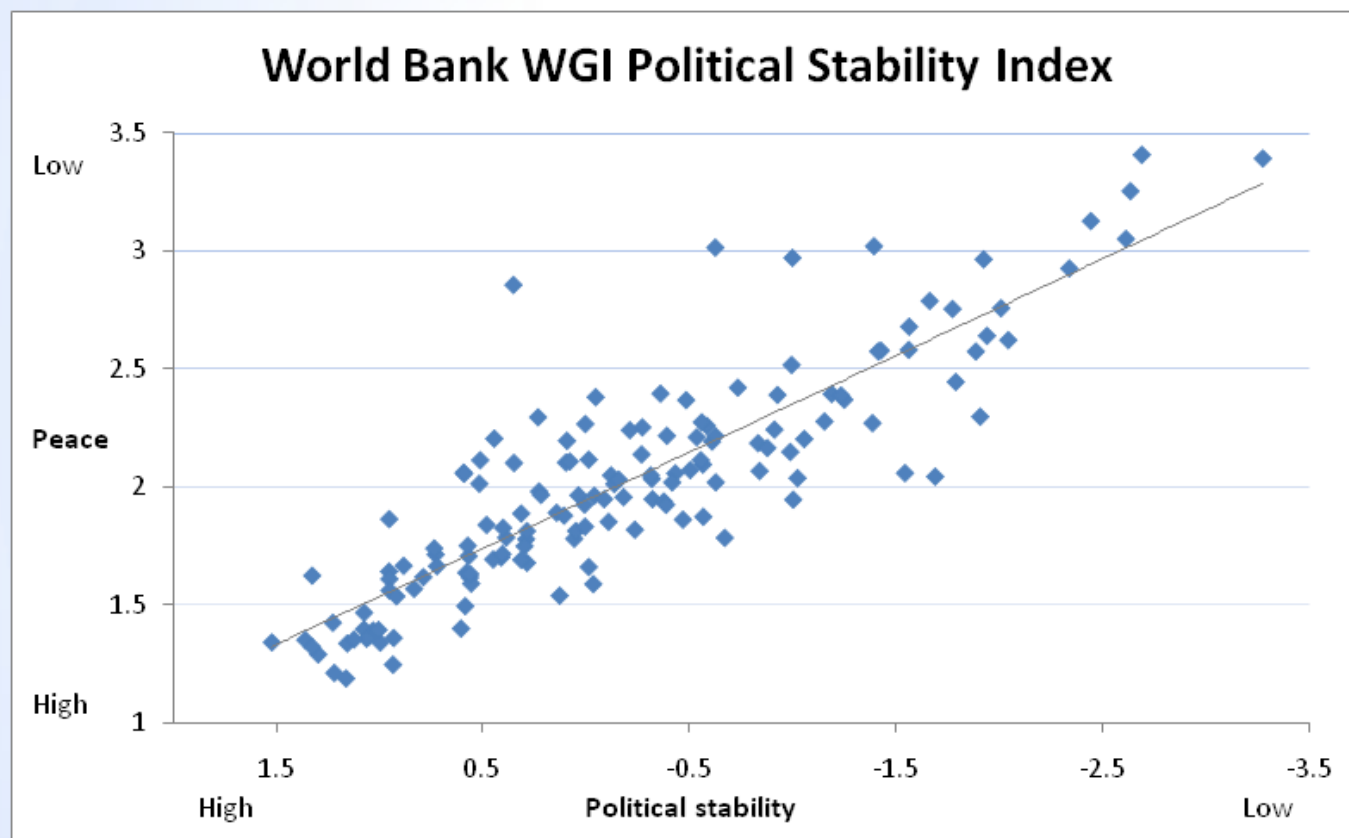
Structural Aspects of Peace

Well-Functioning Government – GPI Correlations

Index Name	Source	Correlation coefficient
Worldwide Governance Indicators	World Bank	
Voice and Accountability		
Political Stability		
Government Effectiveness		-0.61
Regulatory Quality		-0.87
Rule of Law		-0.70
Control of Corruption		-0.66
		-0.76
		-0.72
Political Democracy Index	EIU	0.56
Freedom in the World Survey	Freedom House	
		0.57



Structural Aspects of Peace





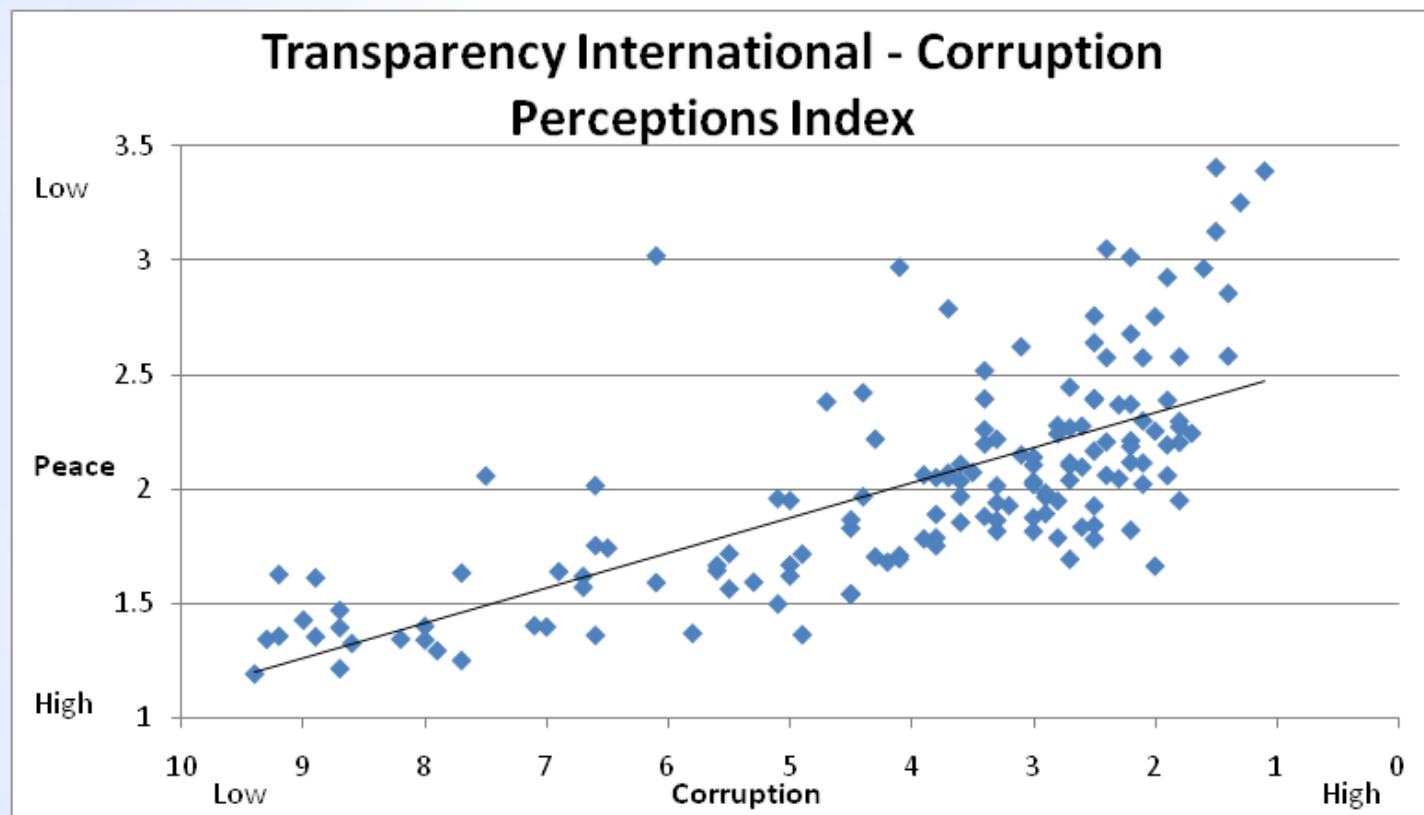
Structural Aspects of Peace

Sound Business Environment – GPI Correlations

Index Name	Source	Correlation coefficient
Corruption Perception Index	Transparency International	-0.70
Global Competitiveness Report	World Economic Forum	-0.59
Economic Freedom of the World Index	Frazer Institute	-0.58
GDP per capita	EIU	0.57
Ease of Doing Business Index	World Bank	0.52



Structural Aspects of Peace

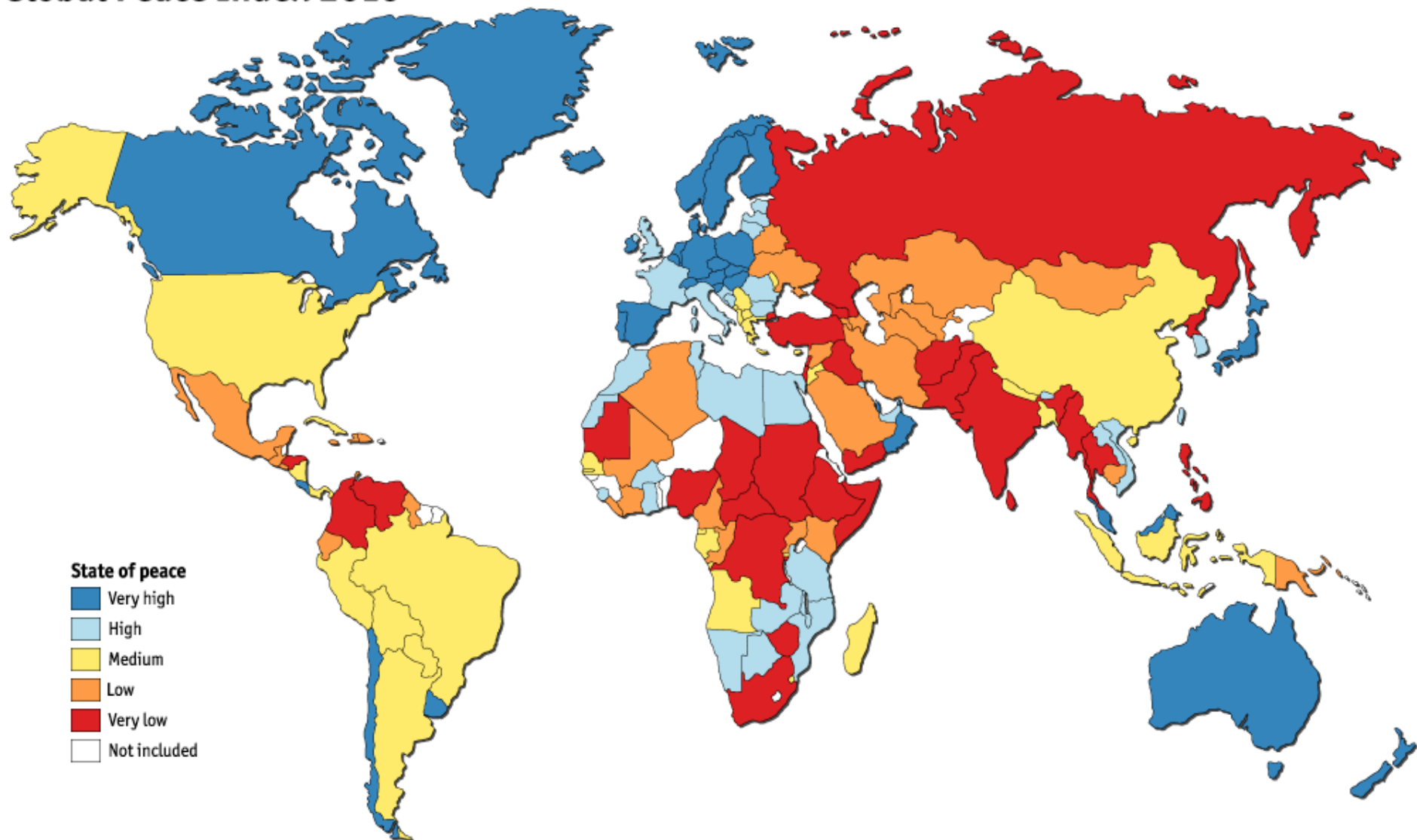




Partners and Uses

- Inclusion in **SIPRI** Yearbook
- Case Study for **Cranfield University**
- Inclusion in **World Bank** data sets and website
- Inclusion in **OECD** website
- Partnership with **Aspen Institute** to promote research outputs
- Used in the Ibrahim **Index of African Governance**
- Used in **Building Blocks of Peace** education curricula of IEP
- Inclusion in **UNDP** Users Guide to Measuring Fragility and Conflict
- Inclusion in **UN University** materials for studies worldwide
- Foundation for **Global Symposium of Peaceful Nations**
- Inclusion in Inter-American Development Bank governance indicators database

Global Peace Index 2010



Source: Economist Intelligence Unit.



The Results

The 10 Most Peaceful Countries

Rank	Country	Score
1	New Zealand	1.188
2	Iceland	1.212
3	Japan	1.247
4	Austria	1.290
5	Norway	1.322
6	Ireland	1.337
7	Denmark	1.341
7	Luxembourg	1.341
9	Finland	1.352
10	Sweden	1.354



The Results

The 10 Least Peaceful Countries

Rank	Country	Score
149	Iraq	3.406
148	Somalia	3.390
147	Afghanistan	3.252
146	Sudan	3.125
145	Pakistan	3.050
144	Israel	3.019
143	Russia	3.013
142	Georgia	2.970
141	Chad	2.964
140	DRC	2.925



A Less Peaceful World?

Majority of the 23 indicators that constitute the index have risen, indicating an overall decline in the level of peace

The most marked increases in the sum of scores have been in:

- The number of homicides per 100,000 people
- The likelihood of violent demonstrations
- The potential for terrorist attacks

Most of the overall increases in these three indicators were confined to relatively few countries

- Political instability has also increased slightly across the world. This proved to be the most influenced indicator – changes were registered in just over 60% of the countries

The most marked decreases in aggregate scores have been in:

- The measure of the respect for human rights – slight improvement overall
- Estimated number of deaths from organized conflict (external)



The Study of Peace

Top 5 Risers

Country	Score, 2010	Ch. In score, 2009-10	Rank, 2010	Ch. In rank 2009-10
Ethiopia	2.444	-0.107	127	+6
Mauritania	2.389	-0.088	123	+6
Hungary	1.495	-0.080	20	+7
Lebanon	2.639	-0.078	134	+3
Haiti	2.270	-0.060	114	+7

Top 5 Fallers

Country	Score, 2010	Ch. In score, 2009-10	Rank, 2010	Ch. In rank 2009-10
Cyprus	2.013	0.276	76	-25
Russia	3.013	0.264	143	-2
Philippines	2.574	0.247	130	-10
Georgia	2.970	0.234	142	-3
Syria	2.274	0.225	115	-18



The Results

Geography and Key Attributes

Ranking states of peace

1. Small, politically stable, democratic countries top the ranking
 - 15 of the top 20 are Western or Central European
 - Most are members of a supranational body
 - Island nations fare well

Geographical rankings

2. Western Europe far exceeds other regions
 - Western Europe
 - Central and Eastern Europe
 - Asia Pacific
 - Latin and South America
 - Middle East
 - Africa



Four-Year Trends



GPI Indicator Movements 2007 - 2010

Indicator	Score change	Change
Military expenditure as a percentage of GDP	-6.44%	↑
Ease of access to weapons of minor destruction	-1.54%	↑
Potential for terrorist acts	-0.20%	↑
Respect for human rights	-0.16%	↑
Military capability/sophistication	2.56%	↓
Relations with neighbouring countries	2.76%	↓
Number of homicides per 100,000 people	5.13%	↓
Number of deaths from organised conflict (internal)	5.16%	↓
Number of external and internal conflicts fought	15.57%	↓

- *Although more countries decreased military expenditure as % of GDP, military expenditure increased*
- *Increased conflicts mainly Afghanistan*
- *Homicide increase mainly 2009 data- improved data*



Four Year Trends – Regional Changes

Region	Change in peacefulness	% Change on 2007	Country Average
Sub-Saharan Africa	↑	-0.34%	-0.01
Middle East and North Africa	↑	-0.21%	0.00
Latin America	↓	3.02%	+0.06
Asia-Pacific	↓	3.48%	+0.07
Central and Eastern Europe	↓	3.97%	+0.07
Western Europe	↓	4.13%	+0.06
North America	↓	4.27%	+0.07

- *Sub-Saharan Africa - decrease in ease of access to small weapons and number of conflicts fought and improved relations with neighbouring states.*
- *Middle East & North Africa – increased political stability and a reduction in military expenditure as a percentage of GDP.*



Four Year Trends – Regional Changes

Region	Change in peacefulness	% Change on 2007	Average country change
G20	↓	3.71%	+0.07
ASEAN	↓	3.84%	+0.08
OECD	↓	4.78%	+0.07
BRIC	↓	5.05%	+0.12
EU high-debt countries	↓	5.15%	+0.08
South Asia	↓	6.27%	+0.11

- All blocs performed worse than the global average of 2% down
- G20, OECD: major falls Canada, Turkey, Italy, Mexico
- EU high debt countries are Spain, Portugal, Italy and Greece



Business and Peace



GPI Correlations with Per Capita Income

For every 10 places a country rises on the GPI:

- Per capita income increases by US\$3,100
- Consumer spending on **food and non-alcoholic beverages** increases by US\$132
- Consumer spending on **leisure and recreation** increased US\$144
- Consumer spending on **household goods and services** increases by US\$87
- Consumer spending on **housing** increases by US\$309
- Consumer spending on **footwear and clothing** increases by US\$87
- Consumer spending on **communications** increases by US\$42



Monetary Value of Peace



Monetary Value of Peace

US\$ Trillion

Year	Actual GDP	Dynamic dividend	Static Dividend	Total Dividend
2006	\$48,802	\$4,027	\$2,147	\$6,174
2007	\$54,975	\$4,435	\$2,418	\$6,853
2008	\$60,755	\$5,112	\$2,673	\$7,785
2009	\$57,522	\$4,889	\$2,530	\$7,419
Total		\$18,463	\$9,768	\$28,231

- **Static Peace** - Value shifting from violent industries to Peaceful Industries
- **Dynamic Peace** – Additional value from suppressed or inefficient economic activity



Value of Peace – US Industry Breakdown

Sector	Internal pGDP	External pGDP
Agriculture	7.15	6.22
Mining	14.76	12.83
Utilities	13.88	12.07
Construction	26.38	22.94
Manufacturing	74.28	64.59
Wholesale trade	37.14	32.29
Retail trade	40.16	34.92
Transportation and warehousing	18.82	16.36
Information	28.21	24.53
Finance and insurance	48.30	42.00
Real estate, rental, leasing	80.89	70.34
Professional, scientific, technical services	49.69	43.21
Management of companies and enterprises	12.87	11.19
Administrative and waste management services	19.34	16.82
Educational services	6.27	5.45
Health care and social assistance	46.25	40.22
Arts, entertainment, recreation	6.36	5.53
Accommodation and food services	17.97	15.63
Other services, except government	14.82	12.89
Government	83.45	72.57
Total	US\$ 646.96	US\$ 562.60

US\$ Billion

[1] US sectoral data sourced from the Bureau of Economic Analysis



Monetary Value of Peace

Valuing Peace – How to value peace to the global economy

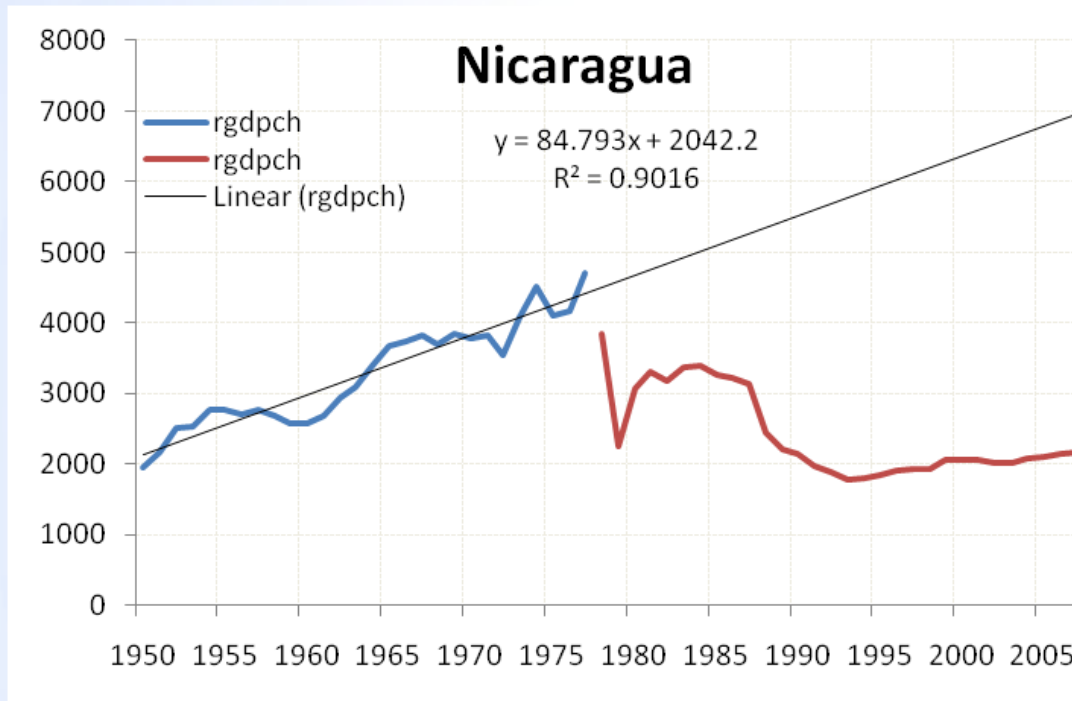
- Total four year value of peace – US\$28.231 trillion
- Assuming the world could be 25% less violent, the total additional or redirected economic activity would equal US\$7.06 trillion over four years

Additional US\$1.75 trillion per annum

- What could this activity finance?
 - ✓ Millennium Development Goals **US\$100B p.a.**
 - ✓ EU climate change **€48B p.a.**
 - ✓ US debt interest **US\$232B p.a.**
 - ✓ Repay Greek debt **US\$550B**



The Violence Crisis



El Salvador was
“lucky”

=> here is the
case of
Nicaragua

The case of Nicaragua

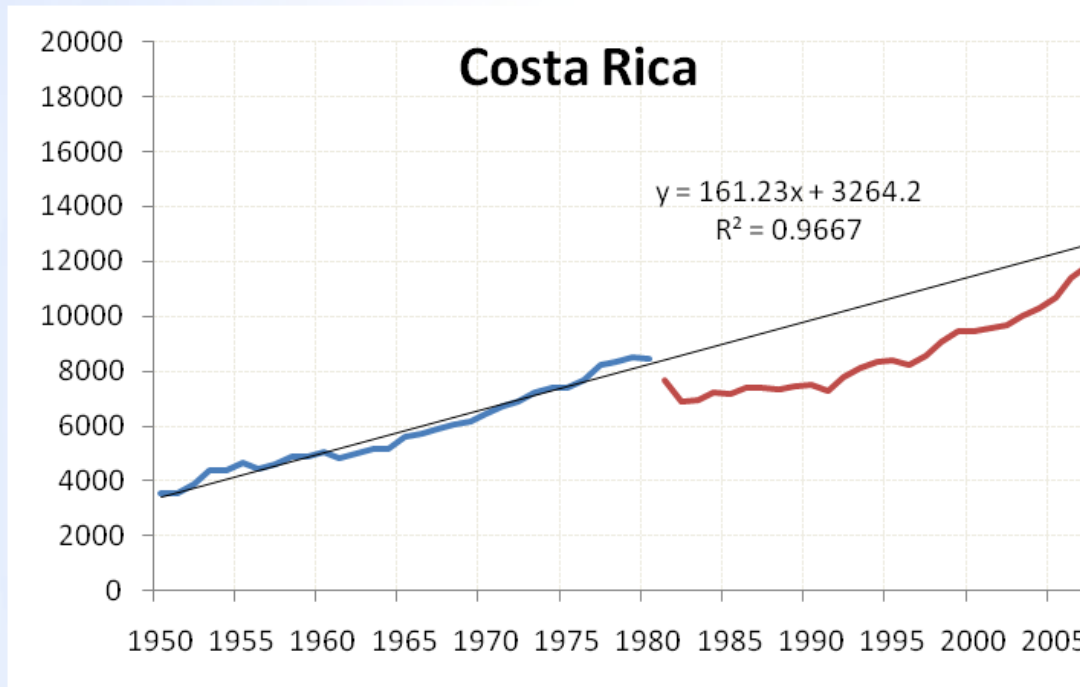
Data: 1950 – 2007; real per capita GDP (I\$); base year = 2005

Source: computed from Penn World Tables 6.3

Slide courtesy of Jurgen Brauer



The Violence Crisis



And here is the case of a country that had no war

=> but its neighbors did

The case of Costa Rica

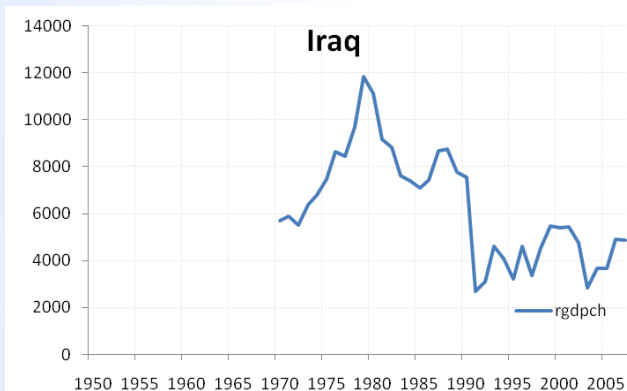
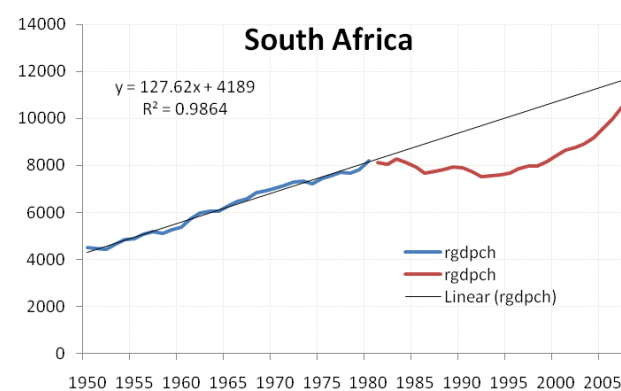
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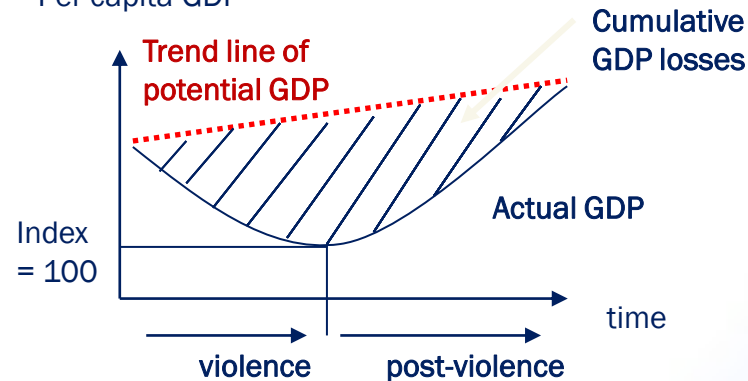
Slide courtesy of Jurgen Brauer



The Violence Crisis



Per capita GDP



The pothole diagram

Real per capita GDP (I\$); base year = 2005

Source: computed from Penn World Tables 6.3

Slide courtesy of Jurgen Brauer

www.economicsandpeace.org



Correlations With Other Indices



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Strategic Business Analysis



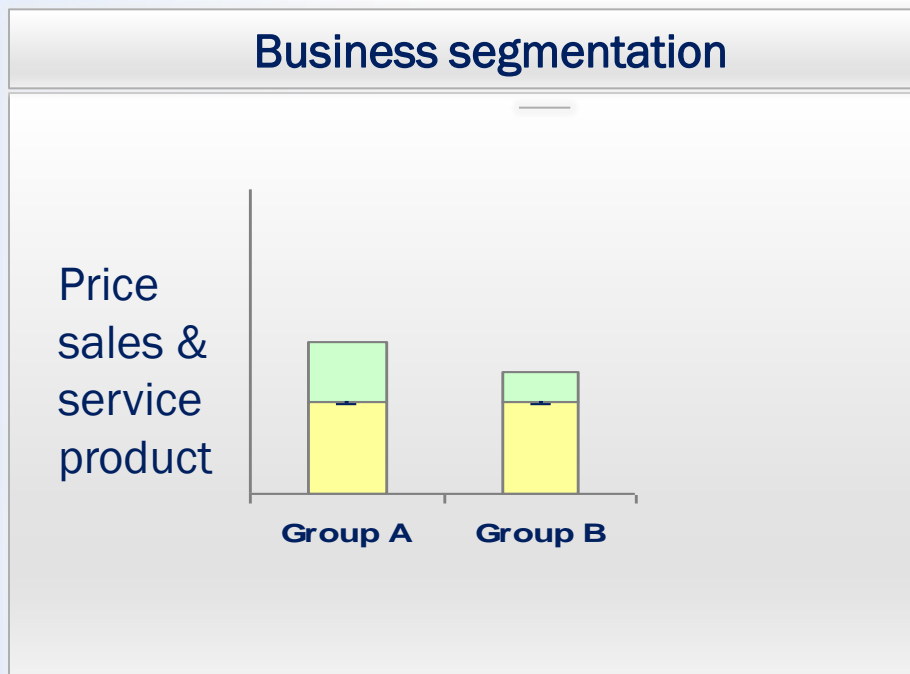
Peace in Strategic Business Analysis

Business and Peace

- ❑ Strong correlation with Global Peace Index
 - ✓ Per capita income and peace: $r = 0.57$
 - ✓ Ease of Doing Business Index: $r = 0.52$
 - ✓ Business Competitive Index: $r = - 0.59$
- ❑ UN Global Compact Business Survey
 - ✓ 80% of senior execs believe markets grow with improved peacefulness
 - ✓ 79% think their costs drop with improved peacefulness



Several Traditional Business Tools Might be Considered in Light of a Region's Peacefulness to Provide Insight



What is the relation between price for the same business segment in different markets when rated by peacefulness



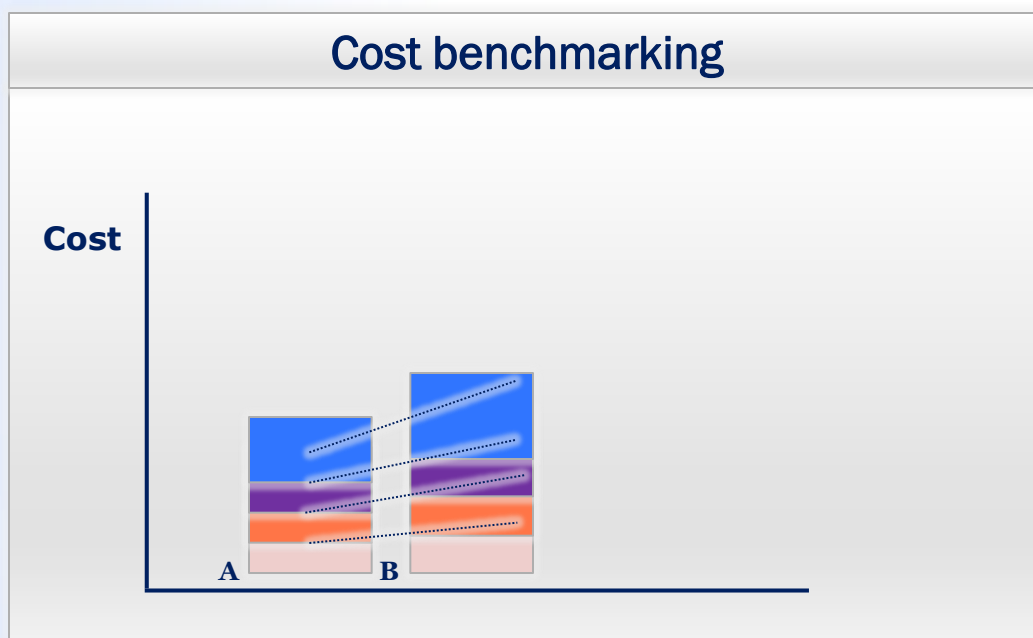
Several Traditional Business Tools Might be Considered in Light of a Region's Peacefulness to Provide Insight



A product, good or service can have many subcomponents, how does changes in peacefulness affect the cost structures and supply line for each of these subcomponents



Several Traditional Business Tools Might be Considered in Light of a Region's Peacefulness to Provide Insight



Through benchmarking costs based on peace as an independent variable it becomes possible to better determine pricing in a new market or changing conditions in an existing market. This has special applicability for insurance products

Questions and Answers



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