

REVIEWS

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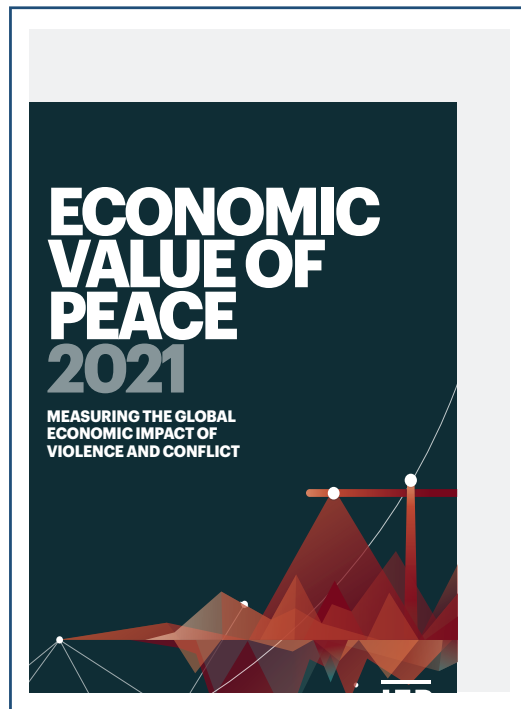
الائتلاف العسكري لمحاربة الإرهاب  
ISLAMIC MILITARY COUNTER TERRORISM COALITION



INTERNATIONAL REPORTS

## ECONOMIC VALUE OF PEACE

MEASURING THE GLOBAL ECONOMIC  
IMPACT OF VIOLENCE AND CONFLICT



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## ECONOMIC VALUE OF PEACE MEASURING THE GLOBAL ECONOMIC IMPACT OF VIOLENCE AND CONFLICT

**Economy** is the lifeblood of the entire world and can be impacted by sociopolitical and security situations, especially in troubled time and violence, bringing about economic consequences. The interdisciplinary theme on ECONOMIC VALUE OF PEACE: MEASURING THE GLOBAL ECONOMIC IMPACT OF VIOLENCE AND CONFLICT published by the Institute for Peace and Economics (IEP) is further discussed. The said report provides a detailed research study on the economic effects of violence. The researchers highlighted the direct and indirect effects of violence and terrorism – albeit unmeasurable – in the global economy, the economies of major countries, and emerging economies.

## Overview

The research study measures an individual's average daily income, with a spate of conflicts and terrorist acts coming into play across the world. It also monitors the change trajectory into better situations as the countries affected by violence gradually establish internal peace and stability.

The researchers draw attention to the significant difference between the Gross Domestic Product (GDP) of each of the ten countries most affected by global violence (Syria, Afghanistan, South Sudan, Central African Republic, Somalia, North Korea, Cyprus, Iraq, Venezuela, and Sudan), and the GDP in the ten most peaceful countries (Iceland, New Zealand, Portugal, Austria, Denmark, Canada, Singapore, Czech Republic, Japan, and Switzerland). It has been observed that the per capita share is very low in the impacted countries, while the per capita share is fairly high in the most fortunate countries.

Given the increase of the ISIS influence in the Middle East, the highest rates of economic cost of violence were recorded in 2017. The research study points out that the deterioration of economic conditions globally fueled by violence and the increase in military spending annually in some countries are yoked together, especially the major economies, such as India, China, and the United States of America. Of great note, measuring the economic effects of violence is directly related to the spending of each country on internal

national security, and the increase in individual violent incidents and suicides.

The research study also highlights a significant decrease in the rates of negative economic effects of violence in 2019, vis-à-vis the 2012-2017 period, which is a five-year lifespan that sustained the outbreak of armed conflict in Syria, Libya, Yemen and other regions in the Middle East. Violence incidents decreased in 2019, and terrorism decreased in many regions of the world, most notably in the Middle East and South Asia.

The researchers reveal that the phenomenon of violence and armed conflicts greatly contributes to limiting or undermining all efforts aimed at establishing peace in many countries. However, it is agreed that any significant improvement in the peace index in general is directly reflected in the global economic conditions.

The research study emphasizes that democratic regimes recorded lower rates of negative economic effects resulting from violence, in view of the GDP, while authoritarian regimes recorded a glaring rise in the negative economic effects, which means a decrease in an individual's average daily income. To this effect, three important topics are highlighted:

- Violence control and prevention methods.
- Consequences of armed conflict.
- Consequences of personal violence and incidents of individual violence.

COUNTRY	ECONOMIC COST OF VIOLENCE AS PERCENTAGE OF GDP	2020 GPI RANK
Syria	59.1%	155
Afghanistan	50.3%	163
South Sudan	46.3%	161
Central African Republic	37.5%	158
Somalia	35.3%	156
North Korea	30.6%	134
Cyprus	30.6%	57
Iraq	26.3%	162
Venezuela	24.1%	160
Sudan	23.5%	152

## Counter-Violence Experience

The report, alternatively referred to here as research study, indicates the close relationship between the magnitude of the negative effects of violence and the ability to control the aspects related to the violent acts, in terms of the efforts made by states to undermine terrorist capabilities and reduce violent acts that lead to an increase in the expenditures involved in associated injuries, which negatively affects the global economy and creates inequality among individuals.

The researchers define the economic effects of violence as the expenditures made in confronting the consequences of terrorism and violent acts and preventing or limiting such acts. They include the deterioration of economic and humanitarian conditions, the spread of chaos, and the low standard of living. Taken together, this is an inevitable result of the low level and decline of production. This translates into a complete collapse of public infrastructure, government facilities, and private property, especially if war is sparked off by violence; the devastating effects drag on for many years, causing a run of injuries that are difficult to recover from.

In a similar vein, the researchers emphasize the results of the research study do not include all common manifestations of violence; it aims to measure the effects of specific types of violence, such as individual killings, and monitoring the indicators associated with each case. Had the study included the effects of all typologies of violence across the world, the results issued would have been much greater.

Equally important, the research study also monitors the economic effects resulting from the expected cases of violence, not only the actual ones. If a given country is on the verge of slipping into violent acts, for instance, it will unquestionably revisit its economic situations. Most likely, such a country will direct a greater part of its financial potential towards military spending. The fear of possible violence in the future casts a negative shadow on the economic, social, psychological, and all infrastructures, especially the health infrastructure of such a country.

Simply put, once an upcoming danger creeps in, it will cause a loss of balance and confusion in all state institutions. Practically, the matter is related to the extensive experience of countries and peoples

in grappling with violence. The greater the social, political, and security experience is in clamping down on violence, the more the psychological effects and the societal infrastructure of violence will be controlled.

## Economic Effects of Violence

What is the price that the global economy pays because of the occurrence and ubiquity of violent events? This is a critically important and leading question. The report reveals that the size of the economic effects of violence globally in 2019 was estimated at \$14.4 trillion according to the purchasing power parity measure, which evaluates the purchasing power of different currencies in the world, given the components of the food basket in each. This figure is equal to 10.5% of global GDP, at \$1,895 per capita.

The researchers observe a decrease in this percentage in the last two years, by \$64 billion (0.4%) of global GDP. The main reason is the low rates of armed conflict in the world, especially in the Middle East. The research study divides the economic effects, or material losses, resulting from violence into three categories:

- ◆ Direct costs.
- ◆ Indirect costs
- ◆ Multiplier effect

Direct costs are the cost of violence to the victim, the perpetrator, and some sectors, such as policing, military and medical expenses. Indirect costs accrue after the violent event and include indirect economic losses, physical and psychological trauma to the victim and lost productivity. The multiplier effect represents the flow-on effects of direct costs, such as the additional economic benefits that would come from investment in business development or education, instead of the less productive costs of containing or dealing with violence. The researchers divide the effects of armed violence into five main sectors:

- ◆ Death toll at home and abroad.
- ◆ Substantial losses in GDP.
- ◆ Government efforts in national reconstruction.
- ◆ Refuges and Internally Displaced Person (IDPs).
- ◆ Terrorism deaths and injuries.

The research study provides important indicators for measuring the size of the economic effects of violence, such as military spending, and death toll.



However, other important indicators were not included to measure the real progress: (1) internal security and peace; (2) levels of militarization (mobilization of armed fighting groups) within the state; (3) ongoing conflict.

At the regional level, the effects of violence showed a remarkable improvement in 2019 in four regions of the world: The Middle East, which recorded the highest improvement since 2018 at 6.9% (Iraq was one of the countries that recorded the most decline), South Asia, Southeast Asia, and Russia. The researchers recorded the great discrepancy in the nature of the context associated with violent incidents between one region and another. For example, in the Middle East, armed conflicts had the greatest impact, while other regions were very much affected by acts of individual violence of both intentional psychological trauma, physical and sexual violence, as in Central America, South America, and the Caribbean.

As per the GPI (2020), Central America, South America and the Caribbean sustained a significant increase in the size of the deterioration in public peace given the high death toll fueled by violent acts, according

to the annual report issued by the Political Terrorism Barometer. The researchers show the great similarity in the nature of the contexts associated with violent acts in both regions, emphasizing that the acts of individual violence and murders were notoriously most rampant; therefore, the high indicators of deterioration at both the economic and social levels are attributed to the same reasons in the two regions.

A special focus is attached to South America and the Caribbean; they include eight of the ten countries that suffer the highest economic losses from high homicide rates, given their GDPs, and the ubiquity of drug trafficking organizations there. According to the annual report issued by the American Gallup Corporation with regard to the index of global law and order, the citizens of the said countries are the least secure and the most that lack confidence in the ability of their governments and security apparatuses. The said countries ranked in order according to the highest rise in both GDP and GNP per capita indicators are El Salvador, Jamaica, Venezuela, Honduras, Trinidad & Tobago, Brazil, Guatemala, Colombia, Mexico, and Guyana.

Although the Middle East and North Africa (MENA) has made progress in reducing the economic cost of violent acts, it is still, as reported by the GPI, the least secure and peaceful region. Six of the fifteen countries across the world were ranked as the most impacted by the effects of violence: Syria, Iraq, Yemen, Sudan, Libya and the occupied Palestinian territories. Syria tops the list given the continued armed conflicts, high deaths, injuries, refugees and IDPs, especially between 2011 and 2017. In the same vein, there are several countries that enjoy the highest levels of security and stability in the Middle East: Kuwait, Qatar, and the United Arab Emirates. In this context, it should be noted that there are many countries that have enjoyed security and stability in the Middle East, including the Sultanate of Oman, the Hashemite Kingdom of Jordan, and the Kingdom of Saudi Arabia, which has a record of zero terrorist incidents in the previous years, with the exception of Houthi attacks, using drones and ballistic missiles.

Against a backdrop of such uncertainty, it is important to introduce the investors' expectations and the flow of Foreign Direct Investment (FDI) to learn about how much economic conditions have deteriorated or improved. The impact on the Middle East was attributed to the magnitude of the political threats across the region, and the pessimistic expectations due to the brinkmanship policies of the administration of former US President Donald Trump and the leaders of Tehran.

## GPI

The conditions of the most important regions of the world are reviewed according to the (GPI) in 2020.

### South Asia

South Asia is second only to the Middle East in terms of poor stability and security. Afghanistan still tops the least secure and stable countries in the world. It has recorded high rates of economic losses stemming from violence since 2007.

The economic impact of violence in South Asia is attributed to the rise in military spending and the cost of spending on internal security, in light of the outbreak of isolated incidents of armed conflicts and terrorist acts. India has the lion's share of the value of the economic impact of violence in South Asia, being one of the major military and economic powers in the region, which means that regional changes in this

value are mainly related to the value of the economic impact of violence in India, making up \$991.2 billion in 2019. Equally important, 75% of the value of this effect is related to military spending and internal security expenditures. The triggers of violence differ from those in the Middle East because India suffers overpopulation and it needs huge spending on internal security, especially in light of the great social disparity between the classes of society.

### Sub-Saharan Africa

Sub-Saharan Africa is ranked sixth globally out of nine regions in terms of stability and security. Fifteen Sub-Saharan African countries have recorded a remarkable improvement since 2007, while 29 other countries have recorded a glaring decline over the same period.

A stark contrast is noted between the contexts related to the regional economic impact of violence given the clear differences between the countries of the region in the triggers leading to violence. Some countries have recorded high rates of individual violent crimes and homicides, while other countries have recorded high rates due to armed conflicts. The economic impact of violence has multiplied several times in the Sub-Saharan Africa countries, especially in Niger since 2007.

### Asia-Pacific

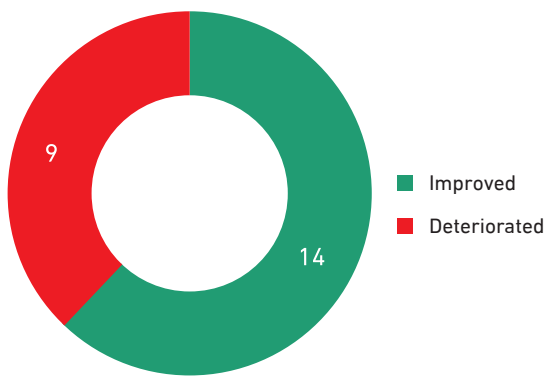
Asia-Pacific ranks the most affected by the economic effects of violence vis-à-vis the nine regions in the world, with a value of 3.4 trillion dollars; it ranks third in peace and security. China, Japan, and South Korea receive the largest share of economic impact of violence. New Zealand displays a significant increase in the rate of deterioration in peace following the attack on two mosques in Christchurch in March 2019, which killed 51 Muslims, while praying.

In the same year, Myanmar and the Philippines record the highest rates of peace in the region due to the low cost stemming from armed conflicts, especially in the Philippines, which witnessed a high rate of economic impact of violence between 2016 and 2018 triggered by the spread of drug trafficking groups and terrorist acts attributed to groups affiliated with ISIS.

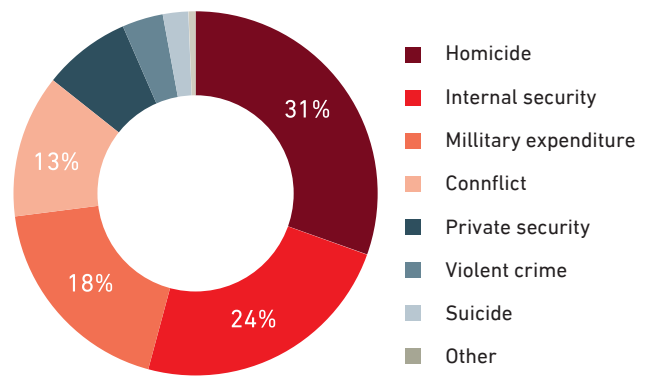
According to the GPI, the Philippines is still the country that suffers the most because of the economic effects of violence in South Asia. North Korea has increasingly



**Change in Economic Impact  
Number of Countries (2007-2009)**



**Composition of Regional Impact**



### Economic Impact in Latin America and the Caribbean

invested in its military and weapon development programs, doubling its military budget between 2007 and 2019.

#### North America

The North America region includes only two countries: Canada and the United States. The United States accounts for 97% of the regional economic impact of violence. North America is the second most peaceful region globally despite registering a slight deterioration in its GPI score in 2020. In the same report, Canada is ranked sixth and United States 121. The rates of the economic effects of the high death toll due to violence reached 97.8%. The reduction in the economic impact of violence in the United States is associated with the state's withdrawal of forces from different regions around the world, such as Iraq and Afghanistan.

It is not possible to link the reasons for US military spending to the internal turmoil in the country, but to the global impact of the US armies. The United States has sought to absorb the economic repercussions of the global economic crisis by reducing military spending in two successive terms of former President Barack Obama, but the administration of former President Donald Trump has recompensated for this with armaments plans and increasing tenders related to US military operations around the world.

#### Europe

The economic impact of violence in Europe, the world's most peaceful region, amounted to \$2.4 trillion in 2019,

the third highest level of impact after Asia-Pacific and North America. Europe ranked first globally in peace and stability. Iceland ranked the most peaceful country globally. Turkey remains the least peaceful country in Europe and is the only European country to be ranked in the bottom 25 least peaceful countries. Turkey recorded a slight deterioration in peacefulness on the 2020 GPI. The average economic impact of armed conflicts since 2019 is about five times vis-à-vis 2007 because of Turkey's involvement in many events over the past years, such as the Syrian conflict, the separatist attempts of the Kurds, in addition to the Turkish-Greek crisis arising from the Turkish side's refusal to address the movement of refugees to Europe across the Turkish border. This prompted Turkey to increase spending on the military and security fronts. While Cyprus recorded the highest rates of economic effects of violence, given the GDP, due large waves of IDPs.

Some European countries reduced their military budgets in 2019, including the United Kingdom, France, and Germany. Macedonia topped the European countries in terms of reducing military spending. Three countries in the same year increased military spending significantly: Latvia, Bosnia and Herzegovina, and Bulgaria.

#### Russia & Eurasia

The Central Asian region (Russia and Eurasian countries) is the second region in terms of achieving higher rates of peace and security, but it is still ranked



among the three least stable regions in the world. The region has successfully reduced the economic effects of violence stemming from armed conflicts and killings. However, this region is the highest in the world in the high rates of economic consequences of suicides.

As the major power in the region, Russia controls about 74.4% of the total economic impact of violence because of the continued increase in security and military expenditures. Several countries have also recorded a significant increase in military spending since 2007: Uzbekistan topped the list, followed by Armenia and Turkmenistan. While Kazakhstan and Moldova recorded a significant improvement as a result of the decrease in crime and homicide rates since 2007, which had a clear positive impact on the rate of economic impact of violence.

## Trends and Opinions

The report discusses three main topics related to the economic effects of violence:

- ◆ Means of confronting violence.
- ◆ Armed conflicts.
- ◆ Individual violence.

The three topics include 18 important indicators that the researchers monitored during the research study stage (2007-2019). Some indicators have really improved, causing the rates of economic impact of violence to decrease, such as armed conflicts, terrorist activities, and military spending. Other indicators have deteriorated, such as those related to the refugee crisis and IDPs of some volatile conflict areas in the world.

## Effects of Individual Violence

In 2019, Central America, the Caribbean, and South America recorded higher rates globally of the economic effects of individual violence, which include all types of physical, psychological and sexual trauma, homicides, and suicides, at \$2.25 trillion, making up (1.6%) of the GDP; \$296 per capita only. Homicides had the highest rate of the economic effects of violence, which peaked in 2010, at \$1.23 trillion. El Salvador has the highest number of murders in the world, followed by Venezuela and Jamaica, respectively.

## Effects of Suicide and Fear of Crime

The economic impact of suicide, violent crimes and fear of violence peaked in 2011, at \$1.26 trillion, decreasing in 2019 to \$1.19 trillion. The United States, China, and India had the highest suicide rates globally. However, the economic effects of suicides have also increased in other countries, such as Russia, Ukraine and Kazakhstan. Eight out of ten countries in which the economic effects of suicide are high fall into the category of rich or middle countries; the annual suicide rate was 10.5 per 100,000 people in 2016.

The United Kingdom has been the country most affected by violent crime and sexual assault since 2007. Some reports issued by the authorities concerned with crime reveal that the vast majority of victims of violence refuse to give their statements to the police and official bodies, making it difficult to estimate the consequences of violent crimes and sexual assaults.

Fear of violence is also one of the important topics covered in the report. As it is one of the indirect factors that negatively affect the economic situation. The spread of fear of violence, and the dread of falling victim to a terrorist crime affect purchasing decisions and the associated consumption patterns. Afghanistan, Venezuela, South Africa, and Brazil were ranked among the countries with the highest rates of economic impact fueled by the fear of violence globally.

## Economic Effects of Armed Conflict

The Middle East and Sub-Saharan Africa recorded the highest rates in the world of the economic effects of violence, given the GDP. This includes the economic effects of the activities of terrorist groups, and the costs incurred by the parties concerned with peacekeeping efforts and the reconstruction of the country.

The 2012-2017 period sustained a noticeable increase in the rates of the economic effects of armed violence, especially with the outbreak of war in Syria, Libya, Yemen, and separate parts of the Middle East. In 2019, Syria, South Sudan, and Central Africa were the countries most affected by armed violence in the world.

The economic impact of armed violence accounted for \$10.1 billion in 2019. The 2007-2014 period witnessed



an unprecedented increase in the number of victims of armed battles, both at home and abroad; the death toll exceeded one hundred thousand deaths, which peaked the events. Afghanistan topped the list of countries with the highest death toll fueled by armed violence. At the same time, Afghanistan was the country that received the most aid and reconstruction efforts in the 2007-2019 period.

Of note, there is a close relationship between armed violence and terrorist attacks. The countries most exposed to terrorist attacks, especially attacks targeting the army and the police, are the same as those countries where the rates of armed violence acts are high, while the rates of terrorist attacks mostly target tourism, companies and media organizations are low in other countries, which are less exposed to violent acts.

Sub-Saharan Africa recorded the highest rates of terrorism globally in 2019, while Central America and the Caribbean, and South America were the highest in the annual increase in the rates of the economic effects of terrorism.

### Refugees and IDPs

The economic impact stemming from the increase in the number of refugees and IDPs due to violent acts was estimated at \$332.7 billion in 2019 in terms of the negative impact on the economic movement in the country in general, and the expenses incurred by the bodies concerned with providing aid and relief. Conflicts in the Middle East, Sub-Saharan Africa, and South Asia have led to an unprecedented high rate of refuge asylum and internal displacement in the world

since the end of World War II. In 2019, an influx of nearly one million refugees were also reported flowing from ten countries around the world, with Syria at the peak. The economic burdens of asylum fall on neighboring countries: Turkey, Pakistan and Colombia and others.

### Confronting Violence

The Middle East recorded the highest rates of economic impact stemming from efforts to confront violence, making up \$11.64 trillion in 2019, including military spending, which accounts for the largest portion of financial appropriations in this field, as well as security spending, and prison spending.

The average military spending in authoritarian regimes is superior to other democratic regimes, although the United States ranks first in the world in terms of military spending, it allocates the largest proportion of its financial budgets to this field, followed by China. Both Saudi Arabia and the United Arab Emirates have higher rates of military spending in terms of per capita GDP. There is an inverse relationship between the degree of stability within the state and the size of military spending, as countries that enjoy the least security and peace are the highest in spending on the military field.

Remarkably, the two resource-rich GCC countries (Saudi Arabia and the UAE), which enjoy clear stability in a troubled region, contradicts the findings of the research regarding the (inverse relationship) between spending on security and an increase in violence. The spending of the two said countries is related to protecting the oil sources from possible attacks, as is the regional contribution of the two countries. As

such, they have similar reasons for the rise in military spending in the United States of America, which is only marginally related to internal challenges from the state.

### **Economic Prosperity and Peace**

The research study reveals a direct relationship between violence and economy, as deterioration or improvement in one of the two areas automatically leads to deterioration or improvement in the other; many countries that have recorded high rates of economic impact of violence are among the poorest countries in the world. Of note, in the countries that reduced the economic effects of violence, the average per capita GDP increased, and the unemployment and inflation rates decreased, and vice versa, according to the GPI.

The concept of positive peacefulness is one of the transformational concepts that is concerned with the means of instilling basic principles and laying the foundations required for a peaceful society, in the sense of how to shed light on all that is positive and reject the negative aspects, realizing the ultimate goal, which is to achieve peace, security and enhancing societies. The stability of economy is one of the most important drivers for achieving positive peacefulness. The more the economy booms and recovers, the more optimal use of human potential, thus realizing a peaceful and ideal life. This concept complements the concept of negative peace, which refers to the society's ability to completely overcome the manifestations of violence and fear of violence.

The concept of positive peace is based on eight basic principles: the quality of government performance, the provision of a conducive environment to encourage doing business, respect for the rights of others, good relations with neighboring countries, the free flow of information, the improvement of individual capabilities and skills, a low level of corruption, and social justice.

### **Conclusion**

The report presents a research study that addresses one of the important topics that should be given great attention at all local and international levels. The economic effects of violence are not limited to estimating the numbers of deaths and injuries, and the expenditures required to restore the state of peace,

rather, it provides a forward-looking vision for the future of humanity, the current violence in our present will be experienced by future generations.

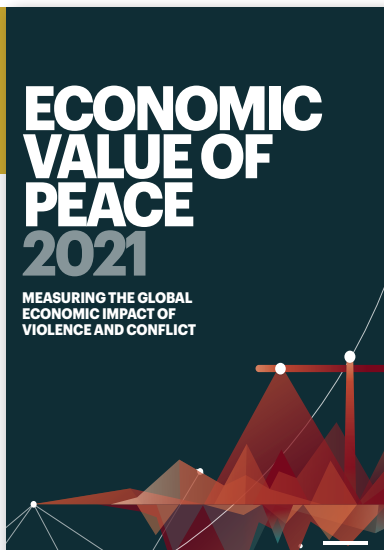
The last ten years of the twenty-first century have recorded the worst indicators in history, in terms of the high economic cost of the effects of violence following the outbreak of revolutions in some Arab countries in the Middle East, and the increase in the number of deaths due to armed violence and terrorist acts in various areas across the Middle East and the entire world as in South America, Sub-Saharan Africa and some others.

The researchers stress that the remarkable rise in indicators of the economic effects of violence is an unprecedented event since the end of World War II, as the largest humanitarian disaster recorded in history due to the high rates of armed violence, the development of the performance of terrorist groups, and the expansion of their influence in the world since the end of the last century and the beginning of this century.

Although the research study recommended the need to continue making more efforts to combat violence internationally to reduce the economic effects of violence, hope that humanity would have better standards of living revitalized with peace and stability, it did not give the necessary research attention to understanding the causes and motives of violence, which are due to complex factors related to governance, transparency, justice, and the distribution of economic returns and wealth. It is related to the nature of transforming economic structures, and the reluctance of traditional social forces to accept paying the price of liberalizing economy; it finds that interest groups are the primary beneficiaries of the advantages of internal economic liberalization.

The reasons for the outbreak of violence in some countries of the Middle East cannot be understood only by political contradictions; rather, it is the justice of the economic distribution that has marginalized many social groups and nipped in the bud their ambitions of social advancement. The anti-state powers, which have been the fuel of social unrest, are always victims of social exclusion and blurred horizon.



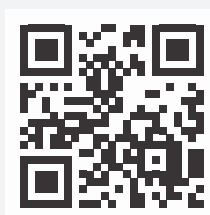


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