

Financing the Delivery of Global Peace through an L20? Considerations for an initial L20 meeting on financing Global Public Goods

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Introduction:

An era of dramatic change in post-Cold War international affairs has helped to facilitate the emergence of new and diverse perspectives regarding the nature of the international system and the ways in which this system would best be governed. At the beginning of the 21st century rapid advances have connected humans to events occurring all across the globe. Technological achievements have given rise to new and unique patterns of communication, cooperation and mobilization and breakthroughs in the fields of medicine and science offer the potential to enable humans to lead longer, more productive and healthier lives. These advances have been accompanied, however, by a parallel rise in threats to *human security* ranging from international terrorism and global climate change to increased poverty and the spread of new diseases, often culminating in the outbreak of conflict. The causes and consequences of these conflicts involve a set of highly complex and interrelated factors, underscoring the importance of addressing the question of how best to finance the delivery of the global public good: *peace*.

This paper addresses this question by examining the potential viability of the proposed Leaders Summit of 20 (L20) to tackle the issue of financing global public goods asserting that any proposed L20 package on global public goods must include provisions for the delivery of peace as a central component of the overall package. Peace in this sense does not imply the idealistic or utopian notion of an absence of conflict, but is envisioned as a process that works to confront and manage the outbreak or potential outbreak of conflict, through productive, collaborative and transformative means.

The first section of the paper addresses peace as a global public good and peace as a vital precondition to realizing the successful procurement of other global public goods such as climate stability, public health and international financial stability. Second, the paper speaks to the question of what would be the “value-added” of addressing the “financing of global public goods” question through the L20 mechanism as opposed to other global policy-making forums including the G8, the UN, the OECD, the IMF and the World Bank. The final section of the paper proposes several options for financing the delivery of peace. These include: **(1)** taxing the international arms trade, **(2)** containing the dangers of nuclear and other weapons of mass destruction (WMD) through an “export” fee and **(3)** obtaining action-oriented information that might be used to design processes to resolve, manage and prevent the outbreak of conflict through less costly means by engaging civil society experts.

Peace as a Global Public Good:

There remains significant debate and persistent disagreement among Scholars and Practitioners over what constitutes a Global Public Good (GPG). Generally speaking, however, global public goods can be defined by the “publicness” of the characteristics or traits they exhibit (Office of Development Studies 1999, 4). They are recognized as having benefits that cannot easily be confined to the enjoyment of a single individual or group of individuals, and are therefore said to be *non-excludable*, in that no one can be prevented from consuming the good. A second characteristic of global public goods is that they are *non-rival* in consumption in the sense that if properly managed they can be consumed by the many without becoming depleted or discriminating against the ability of present and future populations to enjoy benefits derived from the good. GPGs must also exhibit globalized benefits, or public policy outcomes that are global in scope and effect.

As a global public good, peace meets these criteria from both a substantive and formal perspective. When a nation or nations are at peace no person can be excluded from enjoying its benefits and these benefits, themselves, are extended to all people(s) at the local, national and international level. Peace is also indivisible and non-rivalrous, for not only can all people(s) enjoy the benefits derived from peace, but individuals and groups can also enjoy these benefits without detracting from the ability of others to realize the returns on peace. Even though people(s) and/or nations may value peace differently, they have equal access to peace and are able to receive the rewards of peace equally.

The dilemma, or difficulty, of providing peace as global public good, however, lies in the rapidly changing nature of both the international environment and global crises due to the processes of globalization. Issues such as employment and health care that were once considered to be solely national in scope are now global because their consequences extend beyond the influence of any single nation. Conflicts, too, do not exist in isolation, instead exhibiting externalities that are simultaneously local, national and global in cause and effect. Indeed the resulting spillover effects of present-day conflicts, such as large flows of refugees and internally displaced peoples, a surge in the number of diasporic communities and the resulting poverty and loss of infrastructure in regions affected by conflict can act as catalysts, inciting new violence to erupt out of the suffering and disparity caused by war.

These realities point to not only the reciprocal inter-connectedness of events taking place throughout the world, but also highlights the vital place of peace within this inter-related global environment. Ruben Mendez writes of peace as one of the central building blocks of a new collaborative world system writing that peace “is a state of relations among peoples and nations that everyone aspires to or wishes to maintain. It is the best state of society for human survival and a necessary condition for the satisfaction and welfare of society’s members. Without peace, one cannot enjoy the conveniences of daily life. It is a prerequisite for the pursuit of happiness and social and human development,” (Mendez 1999, 388). From this perspective, when making policy choices about events occurring around the world the influence of one set of crises on the emergence of new threats cannot be ignored and addressing the criteria for achieving peace should be a top priority within international forums.

Mendez in *Global Public Goods: International Cooperation in the 21st Century* bases his policy analysis on an exploration of the kind of global system that is most likely to be conducive to delivering peace. He argues that a system of collective security, as opposed to a balance or concert of powers or hegemony, is best suited to provide peace, precisely because it mirrors the security management structure that exists at the national level and also due to its public good dimensions, recognizing the non-excludable and naturally public, or collective, nature of peace (Mendez 1999, 390-396). In this sense, an institution, such as the proposed L20, committed to the principles of collective security would be well suited to consider potential breaches to peace and security as a matter of concern for all member states that warrants the creation of multilateral mechanisms to deter and manage conflict.

Delivering Peace - Why the L20? :

I now turn attention toward addressing the question of whether an L20 might have some comparative advantage in brokering collaborative decisions on the financing of global public goods over and above other existing international institutions including the G8, the UN the OECD, the IMF and the World Bank. In the past the UN has been criticized for being too large and too diffuse, the OECD for not being diffuse enough and for not meeting at the vital leaders-level and the IMF and World Bank for being too G-7/8 centric (Gurria 2004, 2). This suggests that an L20 mechanism might be regarded as a more effective, representative and legitimate institution in which to deliberate on and address today's complex issues. Against this backdrop Anne Marie Slaughter points to the potential strength of the L20 to act as a "Global Think Tank" in that it is "small enough to be effective but large enough to be genuinely representative of the diversity of the world's nations and cultures," (Slaughter 2004, 12).

In *Global Public Goods: International Cooperation in the 21st Century* David Hamburg and Jane Holl refer to the Carnegie Commission on Prevention Deadly Conflict (1997) outlining the Commission's two broad strategies for the prevention of deadly conflict that I argue an L20 would be well-suited to address. These are strategies: (1) at the level of *operational prevention* (i.e. measures to respond to immediate crises) and (2) at the level of *structural prevention* (i.e. measures to keep crises from arising in the first place or to keep them from recurring (Hamburg and Holl 1999, 368). An L20 could develop its own early engagement-warning and response mechanisms as well as support the work of existing task forces and monitoring bodies in order to identify sites early on that are potentially vulnerable to conflict and adopt appropriate measures to address them before conflict escalates.

Regarding operational prevention, the G8 has already had some past success in responding to crises where other institutions such as the UN have failed. One of the most noteworthy examples of G8 success is found in the efforts of the G8 to respond to the conflict in Kosovo in 1999 in which the G8 was able to use the military power and prestige of its members to help bring about an end to the conflict and bring legitimacy to UNSC Resolution 1244 (1999). Risto Penttila refers to the G8's military power and prestige writing that NATO was willing to support a G8-led effort to resolve the conflict because "the G8 possessed more stature in the eyes

of its members than did the Contact Group”¹ (Penttila 2003, 28). He further writes that “the G8’s success in bringing the conflict to a negotiated end had a clear impact on the public’s perception of the group: what was normally seen as an economic actor had begun to deal with issues of war and peace [...] During the Kosovo crisis, the G8 coordinated the work of various international organizations,” (Penttila 2003, 29). The L20 could capitalize on the past success of the G8 in this regard bringing enhanced legitimacy to its policy initiatives through a more balanced representation of countries in the global “North” and “South.”

In terms of structural prevention, the G8 has also acted as an effective policy-coordination instrument in the wake of the 11 September 2001 terrorist attacks against the United States. It has accomplished this through renewed efforts to curb the financing of international terrorism via the Financial Action Task Force (FATF, 1989) and the creation of the Counter-Terrorism Action Group (CTAG, 2003) at the Evian summit in 2003. Despite the counter-terrorism measures adopted by the UN Security Council (UNSC) post-September 11 that includes the establishment of a 15 member Counter-Terrorism Committee (CTC) among the passing of numerous Resolutions the UNSC has, ultimately, proved an inadequate forum in which to foster greater international cooperation in the fight against terrorism. The Council has been criticized for its unbalanced geo-political representation, particularly, for lacking permanent membership from the global “South” and “less-developed” world as well as for perceived “double standards” in its actions and weak enforcement of its Resolutions (Paul and Nahory 2005). Critics maintain that these shortcomings have resulted in the failure of the UNSC to fully grasp the complexities of terrorist motivations and to develop strategies that effectively address underlying economic, political and social tensions, notably political alienation, state-sponsored violence and poverty that are often root causal factors behind terrorist activities (“War on Terrorism” 2005).

In 2001 Nicholas Bayne argued that there are “strong grounds for linking worldwide development strategy with the anti-terrorist campaign,” thus, “bringing more of the benefits of globalisation to poor countries” and giving them “ownership of their own development,” (Bayne 2001, 7). The L20 would be an ideal mechanism to bring about the type of regional and developmentally-balanced representation to which Bayne refers. This could also lead to greater incentive to support peace and security-related initiatives already established or supported by the G8: the G8-centric *Global Health Security Initiative* (2001), the *G8 Global Partnership Against the Spread of Weapons and Materials of Mass Destruction* that was launched at Kananaskis in 2002 and the *G8 Action Plan: Expanding Global Capability for Peace Support Operations* reached at Sea Island in 2004. Ultimately, then, the L20 offers the potential to be both an effective first-response mechanism and a venue for collaborative and representative problem-solving on issues related to delivering peace.

Financing the Delivery of Peace:

There are several potentially feasible options for financing the delivery of global public goods of which three will be explored in greater detail in this paper. These three are considered

¹ The Contact Group consists of a group of nations that monitors and supervises international policy in Kosovo. This informal grouping that includes the US, UK, France, Germany, Italy, and Russia first came together in response to the crisis in Bosnia. With the addition of the European Union, it now regularly consults on the situation in Kosovo.

potentially viable options that an L20 could deliver a package on and pertain directly to the financing of peace. They are: **(1)** *reducing the volume of the international arms trade through an arms tax*, **(2)** *preventing the proliferation of nuclear and other weapons of mass destruction via trade tariffs and sanctions* and **(3)** *reducing the costs associated with obtaining credible “on the ground” information about conflict-vulnerable situations by engaging civil society actors in this process.*

- **Reducing the volume of the international arms trade:**

Taxing arms trade dealers is one financially plausible means of subsidizing the delivery of peace. Conceptually, an arms trade tax would divert resources from national military budgets or those gained through illegal arms trade deals, directing these funds instead toward the provision of global public goods, such as peace. Much has been written both for and against this idea with some proposing **(1)** *the imposition of a tax on the arms trade to feed an international development or health fund*, while others advocate for **(2)** *a tax levy on ammunition exports* and **(3)** *a third party liability “insurance” fee* requiring producers and sellers to pay a mandatory tariff to compensate the victims of their “goods” (Brzoska 2004, 150). In theory the tax would act as a deterrent mechanism to help reduce the overall level of arms traded while also raising monies for disarmament and poverty-reduction initiatives, anti-terrorism programmes and conflict resolution and reconciliation activities.

In *Global Public Goods and Potential Mechanisms for Financing Availability*, Dr. Albert Binger writes that during the ten-year period from 1990-2000 the international arms trade was valued at about US\$ 25-30 billion. He estimates that, taking major conventional weapons as a benchmark and assuming a small volume reduction due to the tax effect, and 5 per cent tax rate, US\$1.2 billion can be expected from a levy on the arms trade (Binger 2003, 19). Michael Brzoska puts the estimated value of legally known trade in arms slightly higher at US\$ 50 billion, combining estimates on major weapons (aircrafts, armored vehicles, artillery, missiles etc.) as well as small arms and ammunitions estimates compiled from reports issued by the US government, Stockholm International Peace Research Institute (SIPRI) and Graduate Institute of International Studies (Brzoska 2004, 155). Using an export tax of 10% (not accounting for deviations in price, volume and tax evasion from the use of an arms tax) Brzoska asserts that the income from an arms tax would be in the neighborhood of US\$ 3 billion for major weapons and US\$ 5 billion for small arms and ammunition (Brzoska 2004, 155).

Arguments against the use of an arms-trade tax have centered on **(1)** *the difficulties of achieving sufficient levels of compliance*, **(2)** *tax evasion through increases in domestic production* and **(3)** *a stimulation of the illicit trade in arms*. Brzoska writes that for an arms tax to be effective the governments of producing countries must be convinced of the potential for an arms tax to minimize the intensity and actual outbreak of conflicts and that even if this tax can be agreed to in principle, monitoring institutions need to be created to sanction non-complying countries and ensure that the taxes raised are used for the financing of GPGs (Brzoska 2004, 52). He continues, however, that as long as the governments of the major exporting countries agree to enforce the tax illicit “black and gray markets” are unlikely to grow substantially (Brzoska 2004, 52).

A further criticism that has been leveled against the implementation of an arms tax stems from claims that **(4) a significant component of the tax burden would be borne by arms buyers**, who are predominantly developing countries that are already vulnerable to internal “shocks” to the stability of the state (including shocks to financial stability, health-care and poverty reduction programmes) that could be incurred from the tax. Generally developing nations are also less-well able to absorb the impacts of “external” shocks, such as large influxes of displaced peoples from neighboring countries, which increases competition over already scarce resources, and could incite or renew conflict. A 2004 CRS Report produced for Congress entitled *Conventional Arms Transfer to Developing Nations* values the total of all arms *deliveries* to developing nations in 2003 at US\$ 17 billion, which constitutes 59.1% of the value of all such arms worldwide (CRS Report – Summary and Introduction 2004). The idea of taxing actors at various points in the arms trade process has been put forward as one means of attempting to mitigate some of the potentially disproportionate and destabilizing costs of the tax on developing nations. Transfers from An Arms-Trade Reduction Fund could also be established to transfer funds fed by an arms trade tax to developing countries which substantially reduce their spending on arms imports.

- **Preventing the proliferation of nuclear and other weapons of mass destruction:**

The trafficking and spread of nuclear materials, equipment and technological know-how that may be used to develop weapons of mass destruction poses an obvious global threat to humanity. Measures to protect against nuclear proliferation must include a combination of operational and financial strategies in order to prevent states intent on developing nuclear weapons from acquiring uranium enrichment and plutonium reprocessing capabilities. This includes monitoring the whereabouts of nuclear material and equipment, ensuring the safe management and safe-guarding of such technologies and making it financially unattractive to engage in efforts to develop a nuclear arsenal. In the past the G8 has taken steps to establish new measures to prevent items with “proliferation potential” from being transferred for weapons purposes and to ensure that the export of such items occurs only under given criteria, which is consistent with global nonproliferation norms and to states rigorously committed to upholding those norms. These include: the *G8 Global Partnership Against the Spread of Weapons and Materials of Mass Destruction*, Kananaskis 2002; the *G8 Action Plan on the Global Partnership Against the Spread of Weapons and Materials of Mass Destruction*, Evian 2003; the *Non-Proliferation of Weapons of Mass Destruction: A G8 Declaration* and the *Non-Proliferation of Weapons of Mass Destruction: Securing Radioactive Sources: A G8 Statement* and *A G8 Action Plan*, Evian 2003, all of which could be further strengthened through increased membership via the L20 mechanism (See Kirton and Sunderland for a complete catalogue of G8 communiqués on non-proliferation by summit).

Financial options for consideration in an initial L20 meeting to reinforce these measures could include: **(1) imposing controls on the transfer of nuclear materials and equipment by applying a financial export-charge or tariff on states attempting to sell these technologies to states that may use them for weapons purposes** with **(2) a corresponding threat of economic or trade sanctions for failing to comply with fees levied from illegitimate transport**. A grouping of intensely politically and economically powerful leaders such as the L20 could prove effective in helping to give these measures added weight and legitimacy as well as enhance regional

verification and monitoring activities due to the global geographic distribution of the L20 states that would comprise such a grouping.

- **Reducing the cost of obtaining information on conflict-vulnerable situations:**

A third financing option for delivering peace is to attempt to *reduce* the costly financial transaction costs of knowledge-centered action-oriented research that focuses on existing barriers to the procurement of peace in regions afflicted by conflict. This can theoretically be accomplished by *building stronger information-sharing networks and partnerships with civil society*. Knowledge-centered and action-oriented research initiatives depend primarily on accurate in-depth information on the complex and cross-cutting identity, cultural, territorial and resource factors playing on a particular conflict in order to create effective strategies for its resolution. Often the best sources for obtaining this knowledge-rich data come from civil society organizations that work in conflict-vulnerable regions and develop deep-relationships with competing factions within conflicted societies. They are generally among the most informed of the status of events occurring “on-the-ground” and can provide reliable indicators that might signal the impending outbreak of conflict.

Utilizing the reports produced by civil society monitoring mechanisms on conflict-vulnerable areas as well as engaging in direct consultations with various civil society organizations could be a financially savvy means for an L20 to obtain the knowledge-centered action-oriented information necessary for financing the delivery of peace. A non-exhaustive list of well-established and credible references in the area of peace and security includes: the Stockholm International Peace Research Institute’s (SIPRI) *Yearbook*; the annual *World Peace Index* by World Peace Forum; the 2003 *Final Report of the Commission on Human Security* released by the Commission on Human Security; the Graduate Institute of International Studies’ *Small Arms Survey*; World Watch Institute’s *State of the World*; the annual *Global Civil Society Report* by the London School of Economics - Centre for Civil Society; Human Rights Watch’s annual release of the *Human Rights Watch World Report* and the Bonn International Center for Conversion’s (BICC) *Conversion Studies*. Significantly, the inclusion of civil society in a consultative capacity (much like the current Arias formula in the UN) can help to build partnerships and support for the collected action that is needed to confront the complexities of designing and financing initiatives for delivering peace.

Conclusion:

We have entered a new era of public policy, defined by a growing number of complex and interconnected concerns that spill across national borders. Threats to *human security* from international terrorism, global climate change, increased scarcity and the spread of new diseases present unique challenges to the successful delivery of global public goods, including peace, at the local, national and international level. Institutional coordination and adaptability are, therefore, of particular importance, in an age of *globalization* that is paradoxical, fluid, dynamic, and reciprocally inter-relational by its very nature. Many now share the view that institutional change and new governance structures are needed given the myriad of existing international organizations in order to promote and sustain peace in this increasingly interconnected and complex world.

This paper has examined the question of how best to finance the delivery of peace from a comparative advantage perspective asking what the proposed L20 might offer in terms of coordination, collaboration and collective action that might make it a more effective forum in which to address the “financing of global public goods” dilemma than other existing international fora such as the G8; the UN; the OECD; the IMF and the World Bank. It has also asserted that peace is a vital building block to the realization of other global public goods such as climate stability, public health and international financial stability and, therefore, that any L20 initiative designed to deliver on the financing of GPGs must include provisions for the delivery of peace as a central component of the overall strategy. Several options for financing this delivery through the L20 mechanism were put forward in the paper including: (1) imposing a tax on the international arms trade, (2) measures aimed at preventing the transfer of nuclear and other WMD material through a “deterrent” or “export” charge and (3) reducing the costly process of obtaining credible data to respond effectively to potential conflict situations through utilization of civil society reports and consultations with civil society.

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