

Economic Perspective Of Terrorism: Causes, Impacts And Counter Measures

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1. Introduction:

Terrorism has multiple roots and multiple effects. Economic considerations come in to play at both ends. But it has been difficult for scholars and policy makers to reach a consensus on what role economics plays in causing terrorism, and how economic considerations might be useful in understanding terrorism and in formulating strategies and specific policies to counter terrorism.

Economics of Terrorism: Meaning:

The term Economics of Terrorism is strictly defined to indicate an economical undermining a group.

In 2005, the Geneva Centre for Security Policy defined economics terrorism as:

"Economic terrorism" would be undertaken by multinational. This could involve varied, coordinated and sophisticated or massive weakening actions in order to disturb the economic and financial stability of a state, a group of states or a society for ideological or religious motives.

2. Economic causes of Terrorism:

- **Poverty:** Poverty and adverse economic condition is fundamental cause of terrorism. When people are deprived from certain resources and opportunities poverty can create anger and cause join to terrorism organizations. Poverty and terrorism are twins.
- **Unemployment:** Unemployment is occur when people are without work. In Middle East there are many citizens left without jobs and this cause low standard of living.
- **Inequality and Deprived from opportunities:** When social and economic inequality developed many people become angry because they are unable to achieve what other are easily able to achieve.
- **High Inequality in education status:** Illiteracy is another imp cause of terrorism. However, educated people are also joined terrorist organizations. For example the members of Hezbollah's militant as well as suicide bombers from the West Bank and Gaza Strip come from economically advantaged families and possess a relatively high level of education. Muhammad Atta leader of 9/11 was the son of lawyer and attended graduate school in Germany.

3. Economic loss due to Terrorism:

In case of the 9/11 attack in the US the loss measured in \$ is 33 billion to 36 billion \$ in New York City alone. Countries that heavily depend on tourism have been found a significant economic loss from the persistence of terrorism. For example Basque region in Spain as well as for India, Austria, Greece Israel, Italy and Turkey.

The estimated number of deaths from terrorism worldwide rose from 3,329 in 2000 to 32,685 in 2014, according to a November 2015 analysis by the Institute for Economics and Peace.

4. Economic Impacts of Terrorism:

- **Direct Economic cost of terrorism:** Including the destruction of life and property infrastructure affects. i.e. impact on household ,impact on private sector and impact on public sector i.e. government.
- **Indirect Economic cost of terrorism:** It is in the form of undermining consumers and investors confidence.
- **Impact across the sector:**
 - a) **Tourism:** Tourism sector is often among the main economic victim of terrorism.
 - b) **Transport sector:** Aviation, Marine, Rail and road has been another direct target of terrorist attack
 - c) **Stock market:**
 - d) **Insurance sector:**
 - e) **Trade and FDI:**

5. Economic Counter-Terrorism measures:

1. Economic Sanction:

Economic sanction means the withdrawal of customary trade and financial relations for security policy purposes. Sanctions may be in the form of travel bans, asset freeze, arms embargoes, capital restraints, reduction foreign aid and trade and investment restrictions. National government and international bodies like UN, EU, IMF have imposed economic sanctions to punish or violent international norms of behavior.

For example the Benevolence International Foundation (BIF) whose asset were frozen by US Treasury department after 9/11 attack and whose head Al Queda was convicted of money laundering.

2. Military and Foreign Aid:

Military aid may be channeled to weaker countries to strengthen their counter terrorism capacities. For example US channeled massive foreign aid to Pakistan and Afghanistan after 2001 terrorist attack.

Economic aid may be used remove root cause of terrorism in developing countries. The main idea of foreign aid is to delegate fight against terrorism from potential target countries to the countries of origin.i.e. from developed to less developed countries.

3. Improving Security:

Another economic aspect of counter terrorism is improvement of security. When terrorism is perceived as a threat, business, individuals and government spend more on security. Security measures for homeland and private are almost remain similar as they invest in security equipment’s and technologies. Individuals and private companies are mainly focused on enhancing their own level of security through protective measures.

4. Freeze fund of Terrorism:

Financial position of the terrorist organisations determines their intensity of attack. Use of sophisticated equipment provides the terrorist with greater risk. Napoleon (2005) estimates the value of new terrorist economy at \$1.3 trillion. Hence it is necessary to freeze their finance. US government frozen \$138 million asset of Al-Qaeda.

5. Economic effect of anti-terrorism policy:

Classification of Counter Terror Measures

Deterrence policies/ Negative incentives	Defensive policies increased cost of terror i.e. surveillance and protection measures or protecting target against attack	Pro-active policies decreased resources endowment of terror organizations i.e. intelligence and military operations or targeting terrorist infrastructure
Benevolent policy/ Positive incentives	Decreased benefit derived i.e. decentralization of targets decreasing media attention	Increasing opportunity cost of terrorism. i.e. found root cause of terror

Two broad classification of security measures i.e. defensive and pro-active security measures.

1. **Defensive Policies:** protecting target against attacks. Defensive policies entail direct actions such as investment in in security technologies and indirect actions such as changes in consumption, investment and saving patterns to avoid exposure to risk situations.

2. **Pro-active policies:** measures targeting terrorist resources including financial asset, arms, and recruit etc. pro-active policies incorporate all measures that aim to undermine terrorist activity through interrupting their supply of resources including financial asset, arms, and recruit. Defensive policies are largely a private good nature and Pro-active policies are public good.

Frey (2004) classifies security measures as deterrence in contrast positive or benevolent measures in contrast negative.

1. **Deterrence policy:** involve the use of direct state actions by the police, military forces and intelligence agency to capture the active terrorist and their supporters.
2. **Benevolent policy:** measures that create incentives which induce terrorist to replace their acts of political violence with non-violent measures.

Conclusion:

1. Poverty, Inequality and limits on opportunity shape terrorist responses.
2. Extreme terrorist attacks have direct and indirect effects on micro and macro levels.
3. Terrorism imposes substantial economic cost.
4. Counter-terrorism is probably the most policy-relevant issue.

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