

POLITICAL ECONOMY OF TERRORISM

Recent contributions and some object lessons

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Introduction

- The author reviews briefly recent Copenhagen consensus papers on terrorism
- Provides examples of intergovernmental cooperation against terrorist threats
- Discusses possible forms of enhanced international cooperation in the rail transport sector
- Concludes with a list of references

Definitions

- Terrorism = premeditated use of violence by sub-national groups for political ends
- Targets = civilian, government, military
- Domestic terrorism = homegrown and consequences for own country only
- International terrorism = perpetrators and victims from 2 or more countries

Assumptions

- Terrorists respond to incentives and calculate before attacking
- Governments can influence behaviour (by stricter security measures, addressing grievances, etc)
- Permanent asymmetric warfare – no end point
- War on terror comparable to war on crime

Observations

- Terrorists cooperate across borders with ease
- Intergovernmental cooperation more difficult (sovereignty issues)
- Terrorism not driven by personal poverty
- Closed political systems conducive to the emergence of international terrorist groups

Domestic terrorism

- Driven by perceived grievances and ideological extremism
- Can occur anywhere (neither per capita income nor democracy important)
- Educational attainment of perpetrators above average
- Effective counter-terrorist strategies targeted and proportional

International terrorism

- Target countries tend to be prosperous democracies
- Source countries: political repression and low per capita income
- Benefit/cost ratios of security strategies not uniform but generally < 1
- Benefit/cost ratios of terrorist strategies generally $> > 1$

Economic consequences

- Infliction of economic damage intended
- Negative effects on business environment
- Investment and trade ↓ insurance cost ↑
- Large attacks → stock prices ↓
- Security expenditure ↑ long-term growth ↓
- Emerging markets and small economies more vulnerable (high cost/GDP ratio)

Policy dilemmas

- How much to spend?
- Where to spend (homeland security – military response - social integration – development assistance)?
- Focus on security in short run and on development in long run?
- How to reconcile national sovereignty with effective international cooperation?

Economic assessment

- Three possible responses (business as usual, increased pro-active responses, more economic aid) characterized by poor cost-benefit ratios
- The most effective response (enhanced international cooperation) relatively cheap but rather difficult to achieve

International cooperation

- UN International Convention for the Suppression of the Financing of Terrorism (1999)
- UN Security Council Resolution 1373 and Counterterrorism Committee (CTC)
- IAEA Nuclear Security Action Plan
- Financial Action Task Force (FATF), incl. 22 UNECE countries and EU
- Interpol (cross-border police cooperation)
- Egmont Group of Financial Intelligence Units, incl. 50 UNECE countries
- Border-security cooperation (OSCE)

International rail transport

- Agreements administered by UNECE (AGC, AGTC) - no security provisions
- Transnational rail security issues (cargo, passengers) handled on bilateral basis
- Multilateral security obligations more effective
- International legal instruments on minimum security obligations in rail transport – probably the best solution

References

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<http://www.copenhagenconsensus.com/The%2010%20challenges/Terrorism.aspx>