

TERRORIST PHENOMENON'S IMPACT ON THE WORLD ECONOMY

Liviu UZLAU, PhD candidate

UNAP – Carol I

liviu_uzlau@yahoo.com

Abstract: *“How much does terrorism cost?” is a question which will not be answered in a near future (short and medium term) in a relevant, practical and sweeping manner, because any estimation at this moment would cover only in a small measure the spent amounts and the inflicted costs of the phenomenon. These statistics are not precise, of course; they might be argued or even invalidated, because it is difficult to elaborate an objective situation regarding the real value of the attack expenditures or of the damage done. They are purely informative, highlighting a cruel reality: with a very small budget, huge damage may be done, and even a whole society might be paralyzed.*

Key words: terrorism, terrorist attack, attack cost

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Introduction

The modern, generalized and ubiquitous terrorism is a product of the modern society. It has always existed and has been following, as far, society's evolution, but on the other side of the barricade.

Terrorism is part of those permanent, flexible, miscellaneous, surprising, and hard to anticipate, survey, and control and mostly to combat asymmetric threats, which create and maintain a continuous status of fear, uncertainty and alert. It is one of the most serious challenges in the beginning of this century and is growing like a “cancer” of intolerance, extremism, violence and absurd.

This phenomenon is a very dangerous threat. Its gravity comprises in the ability of the terrorist organizations and networks to surprise, through the difficulty to evaluate terrorism, through the wave of uncertainties and fears which accompany this phenomenon, hard to understand and to explain. No matter how important and deep unfairness generating issues should be, they cannot justify the “terrorist” phenomenon.

How much does the terrorism cost?

Even if the question “How much does the terrorism cost?” might be considered inadequate through its elusory simplicity, the answer is actually a very difficult one. Finding a defining equation to calculate the cost of terrorism inflicts a multi-face approach of a complex phenomenon, which involves a wide range of perspectives and variables that make it difficult to count or to contain in a determining balance of quantity-quality/cost-benefit.

“How much does terrorism cost?” is a question which will not be answered in a near future (short and medium term) in a relevant, practical and sweeping manner, because any estimation at this moment would cover only in a small measure the spent amounts and the inflicted costs of the phenomenon. So, defining terrorism under the cost point of view means a multilateral approach from the perspective of:

- ❖ The terrorist (regarding the needed costs to prepare and carry out an attack – necessary materials and equipment, transport expenditures, locations rental, training, etc.);

- ❖ The competent authorities with tasks in prevention and combating terrorism (from the perspective of budgets allocated to intelligence gathering, surveillance and investigating activities, but also for related measures enforcement);
- ❖ The political segment (through the budgets allocated for *post incident* expenditures – e.g. buildings reconstruction, wounded people’s medical insurances, certain population categories compensation, etc.);
- ❖ The administrative and functional elements of the society – economy, infrastructure, tourism, etc. (losses in these areas might be huge, an example given in this sense being the negative consequences which country’s loss of image capital should have against the economy and tourism – lack of interest for investors and tourists);
- ❖ The civil society (regarding the spending which certain persons should burden individually, but also the difficulties that families with a wounded/deceased member in a terrorist attack should confront).

Global financial crisis has not visibly affected terrorism preventing and combating national systems, but certain budgetary re-evaluations, re-allocations and re-prioritizations have undoubtedly been done. Nobody denied their necessity and utility; arguments came up, generally, when the public opinion flagged major disparities between the terrorist threat, considered to be low, and the allocated budgets, thought to be too “generous”. Critics have as well been risen in the situations when, investing in terrorism preventing and combating systems did not meet the expected effect, attacks being carried out or, to the best, failed (which, however, means a minimum effort from the authorities side).

A terrorist is, in its essence, a result of a frustrations and social, cultural and political complexes sum, and, mostly, of the inability of a structure to diplomatically acquire its goals, without infliction of extreme, violent means. From this perspective, phenomenon’s evolution has been a linear one, which has not rambled from the assumed principle: *to draw attention to the goal, through terror spreading*. Without getting into details, there must be mentioned that terrorism’s manifesting forms have constantly been evolving and adapting to the authorities’ measures (that are tending towards improvement and globalization), to the carried “mission’s” specificity, and mostly to the spectators’ habitualness, more and more used to the ludicrous of such a “show”. Thus, if, at its beginning, the terrorist attack was aiming mostly airplanes hijacking, afterwards, it focused on hostage taking, bombs placement (regardless of the location), use of biological weapons or suicide bombers (which struck panic to the world because of their fanaticism and the danger that the mobility and efficiency of a “human bomb” represented), and, in the end, to carry out attacks by as cheap, accessible, spectacular and ingenious as possible means.

Also, the range of chosen targets has continuously diversified, reaching the point where, big terrorist organizations (as Al-Qaeda and its franchises) to focus on symbolic targets (e.g. 9/11) or with a strong economic impact (the attacks carried out by Al-Qaeda in the Arabic Isle against cargo air carriers).

From this perspective, terrorists seem to take less and less into calculation human victims (regardless they are military or civilian), and more to affect important segments of national economies. Focusing on administrative, civilian or political facilities, the goal is not any more to spread a punctual psychic terror, but a permanent one, by the disparagement and demythization of authorities, structures and system, which, through their existence, should be hermetic in front of such threats. Also, by the mean of these targets, paralyzing critical infrastructure is wanted, binding some of its essential components.

More and more strict and efficient cooperation and control of security and law enforcement agencies have limited, in time, the easiness of producing complex and modern devices. The nowadays trend is to identify simple (with a low necessary experience level),

reliable (with a high producing probability) and cheap (a *sine qua non* condition for quick construction) solutions.

These days, the costs of a terrorist attack are less and less expensive, regardless of its complexity, especially if we report to its destructive effects (cost-benefit). A few representative examples are:

1. The portable explosive device (so called the “shahid’s belt”) used by the suicide bombers costs between \$ 80 and 150;
2. Terrorist attacks against US Embassies in Kenya and Tanzania, in 1998, cost approximately \$ 50,000, but the damages have been at an amount of a few million dollars;
3. 2004 Madrid attacks (13 blasts in only one day) cost about € 11,000;
4. London attacks, during 2005 summer, cost a few hundred £. Material damage (beside the 52 dead victims) are difficult to estimate, taking into account that London road infrastructure and public transportation have been seriously affected;
5. In an interview for the *Washington Post*, one of the Hamas leaders stated that an attack in Palestinian territories and Israel costs between \$ 3,500 and 50,000;
6. Terrorist attacks in Chechnya are very cheap for the organizers, due to the high unemployment rate. “Terrorist services” are often provided for amounts no larger than 50 rubles. An average amount for organizing a terrorist attack is \$ 500;
7. 9/11 cost between \$ 500,000 (according to the US intelligence services) and \$ 1 mil. (according to the Germans). Even if it seems very high, the damages are without comparison: \$ 135 billion, to which there should be added \$ 7 billion governmental refunds (individual compensations between \$ 250,000 and 7 million);
8. The attacks with trap-packages in 2010, organized by AQPA, cost only \$ 4,200: two mobile phones, two printers and shipping fees.

Without being cynical, we can tell that the balance between cost and benefit regarding a terrorist attack is much more profitable these days than in the past. Calculating an average there could be told that, with a small amount of \$ 150, 12 people might be killed – so, life, from a terrorist perspective, costs only \$ 12.5. On the other hand, the generated fear and terror are impossible to count. From an economic point of view, the average report between preparation of attack expenditures and its effects is, according to some unofficial estimation, 1:1,270,000.

These statistics are not precise, of course; they might be argued or even invalidated, because it is difficult to elaborate an objective situation regarding the real value of the attack expenditures or of the damage done. They are purely informative, highlighting a cruel reality: *with a very small budget, huge damage may be done, and even a whole society might be paralyzed.*

A collateral effect of the terrorist attacks (not taken before into consideration) is the allocation of budgets by the authorities, with the goal of preventing and combating terrorist phenomenon – supplementary spending added to the damage cost. Preventive measures taken by the authorities make terrorists look for alternatives and gaps in the security of other new objectives/targets. Thus, a vicious circle is created.

Another effect is the “thickening” of institutions involved in the fight against terrorism. During an ample journalistic investigation, *Washington Post* succeeded in 2010 to reveal the existence of a large network of governmental agencies and private security companies. According to the journalists, “the secret America” has become, especially after 9/11, so wide and secret that nobody is able to estimate allocated budgets, employed personnel or either the number of structures. As a pure estimation, *Washington Post* believes

that there are 1,271 governmental agencies and 1,931 private companies, with a total of 850,000 people employed, which main activity is preventing and combating terrorism. The logistics is impressive: over 10,000 locations, but the budget remain a huge unknown, being though yearly estimated to a few billion dollars.

Conclusions

Measures adopted by western countries, with the price of impressive budget allocations, and still growing, determined the enlargement of security policies outside national boundaries, a necessary decision to “hunt” terrorist at their homes. This endeavor is only possible by raising the amounts needed for preventive actions. On a short term, such measures might prove their efficiency, but, on a medium and long term, they should be permanently updated (including from a financial perspective), because terrorists manage to identify and apply new action methods.

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